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VOLUME 5 OCTOBER, 1945 NUMBER 1

Published QUARTERLY under grant from the ROBERT SCHALKENBACH FOUNDATION
in the interest of constructive synthesis in the social sciences.

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THE AMERICAN JOURNAL OF ECONOMICS AND SOCIOLOGY is published quarterly, in October, January, April and July. Published at North Queen Street and McGovern Avenue, Lancaster, Pennsylvania. Executive offices, 50 East Sixty-ninth Street, New York 21. Subscription, \$3.00 a year. Single copies, \$1.00. Checks payable to the American Journal of Economics and Sociology, Inc. Correspondence concerning contributions should be addressed to the editor at the Journal's offices. Correspondence concerning subscriptions and other business matters should be addressed to the secretary at the Journal's offices. The editor and the members of the board of editors do not necessarily endorse opinions and statements in signed contributions, and are not necessarily in agreement with any contributions whose publication they recommend. The members of the editorial advisory board do not necessarily endorse the Journal's orientation. Entered as second class matter at the post office at Lancaster, Pa., under the Act of Congress of March 3, 1879. Registration of title in the U. S. Patent Office pending.

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VOL. 5

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No. 1

Man's Relation to the Land

A Statement of Principles Which Shall Underlie Our National, State and Individual Actions

WE HOLD:

God created the world, of which the earth is a portion, with a purpose, and through His loving Providence He maintains the world for the good of human beings. Therefore, all human beings possess a direct natural right to have access to created natural resources.

God's intention in creation is to enable man to live with dignity in accord with his noble nature and destiny, to develop his personality, to establish and maintain a family and to be a useful member of society. Society exists to fulfill these aims.

The Good Earth

THE LAND IS GOD's greatest material gift to mankind. It is a fundamental source of food, fiber, and fuel. The right to use such elemental source of life and development is essential for human welfare. No law or contract is superior to natural law. A fundamental human right is not to be denied or rendered ineffective by any legal ordinances, apparent previous rights or obligations.

Stewardship

LAND IS A VERY SPECIAL KIND of property. Ownership of land does not give an absolute right to use or abuse, nor is it devoid of social responsibilities. It is in fact a stewardship. It implies such land tenure and use as to enable the possessor to develop his personality, maintain a decent standard of living for his family and fulfill social obligations. At the same time, the land steward has a duty to enrich the soil he tills and to hand it down to future generations as a thank offering to God, the giver, and as a loving inheritance to his children's children.

The Family and Land

SINCE THE FAMILY is the primary institution, access to land and stewardship of land must be planned with the family unit in view. The special adaptability of the farm home for nurturing strong and wholesome family life is the reason for the universal interest in land use and rural welfare. A unique relationship exists between the family and the vocation of agriculture. The farm is the native habitat of the family. The family's welfare must therefore have the first consideration in economic and social planning. Throughout the history of the United States these fundamental principles have been worked out through national and state legislation, and they have been upheld by court decisions and popular acclaim.

Land Use and Human Welfare

EFFICIENCY IN LAND USE is not to be judged merely by material production but by a balanced consideration of the spiritual, social and material values that redound therefrom to person, family and society. The land is not to be a source of benefit to a favored few and a means of servile labor to the many.

Second only to making land available to the family is the responsibility of society to encourage and to educate the land

stewards in the proper and most efficient use of the land and in such techniques as will make them masters of their own economic destiny.

The Tiller's Rights and Duties

THE WORKER ON THE LAND and his family possess the first right to the fruits of their toil for a decent standard of living. Second to such right come the rights of any non-operating owner and of the State. Rural people have the right to receive directly their just share of the economic, social and religious benefits in organized society.

The stewards of the land owe sacred duties and obligations to God, the community and humanity. A faithful and honest fulfillment of their responsibilities goes hand-in-hand with their rights and privileges.

* * *

Suggested methods for the practical application of the declared principles on land policy:

1. Make use of the land an integral part of socio-economic planning and thinking.
2. Insist that education for land stewardship and the productive home be outstanding features of rural education.
3. Emphasize a special program of enlistment and training in secondary, liberal arts, technical and professional schools for professional service to the rural community.
4. Make the family-type farm operated by the owner a major objective of legislation and planning.
5. Reform the system of taxing land and improvements so as to facilitate access to natural resources, security of tenure and proper land use.
6. Revise land sale and rental contracts, mortgage obligations and other debt instruments so that no loss of ownership or insecurity of tenure be possible except through negligence or injustice on the part of the farmer-operator.

7. Discourage large land holdings as undemocratic and unsocial.

8. Where large-scale production is necessary and advisable, encourage the use of co-operative techniques with local ownership and management.

9. At all times encourage co-operatives as a means of intellectual, moral and material advancement.

10. Where and when large-scale industrialized farming exists and requires employment of seasonal or year-round labor, demand for such labor group a living family wage, decent housing conditions and collective bargaining.

11. Urge that wages and housing for the laborer on the small farms be decent and just. (Low wages and poor housing for the farm laborer tend to lower the reward and standards of living of the family-type farmer, bringing his own family labor into competition with the poorly paid hired hand.)

12. Extend social security provisions, particularly health, old age and survivors' insurance, to farm people and other rural dwellers.

13. Develop locally owned and controlled business and industry in rural communities.

14. Encourage development of the "one foot on soil and one foot in city" type of living as greatly advantageous to the family when adequate cash income is secured from work in industry or commerce.

15. Make land settlement possible for returned soldiers and displaced war workers through proper financial and educational planning, provided qualified people so desire and sound arrangements can be made.*

* [Land economists, rural sociologists, religious leaders and others interested in the well-being of the farmer who wish to express their support of this statement may communicate with either of the sponsors, Dr. Benson Y. Landis, 297 Fourth Avenue, New York 10, N. Y.; Msgr. L. G. Ligutti, 3801 Grand Avenue, Des Moines 12, Iowa; and Dr. Gabriel Davidson, 386 Fourth Avenue, New York 16, N. Y.—EDITOR.]

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International Co-operation and Control in the Electrical Industry

The General Electric Company and Germany,
1919-1944

By M. L. FLANINGAM

ON JANUARY 18, 1945, the government of the United States instituted a civil suit, in the federal district court at Newark, New Jersey, against the *General Electric Company* and its subsidiary the *International General Electric Company*. The Department of Justice charges these companies with alleged conspiracies in violation of the Sherman Act and the Wilson Tariff Act by reason of certain contracts which provide for the exchange of patent rights, technical knowledge and skills, manufacturing experience, and for territorial division of the world for purposes of eliminating trade competition. The Department of Justice requests that these contracts be declared invalid and that the defendants (GE and IGE) be enjoined perpetually from maintaining or carrying out such agreements. Moreover, GE and IGE are also requested to divest themselves of all shares of stock, bonds, or other interests, investments, or other participations in the alleged conspiracy.¹

This suit is but one of a series of similar cases filed by the Department of Justice in recent months against several of the larger international industries and as part of a general investigation of American industrial practices in their foreign rela-

¹ United States of America *vs.* General Electric Company and International General Electric Company, Incorporated, *A COMPLAINT*, in the District Court of the United States for the District of New Jersey, January 18, 1945. This is the principal source for the documentary basis to my discussion, copies of which were given me by courtesy of Assistant Attorney General W. Berge. See also, *Journal of Commerce* (New York), Jan. 19, 1945, pp. 1, 3.

tions.² The GE case does, however, represent the general problem of American industrial relations with European cartels and it also culminates a long series of attempts of the federal government to bring final action against GE on this issue.³

We are not concerned here with the purely legal aspects involved for they are matters for the federal courts to decide. We are concerned with the economic principles and their political implications. These considerations are open to general discussion for they involve the problems of reconversion, post-war trade expansion, and American participation in European economic reconstruction.

The following material is presented only in order to trace historically the specific relations between GE and Germany as part of the background to the present controversy and to indicate some possible post-war developments. No attempt is made to arrive at any new solution to the problems nor to accept or reject unconditionally any economic theory or policy involved.

Foreign Agreements in the Public Record

THE RELATIONS OF GE with Germany may have been a conspiracy from the viewpoint of the Department of Justice, but they were certainly no secret insofar as the knowledge of their general character is concerned. In fact, it is upon this ground that Mr. Charles E. Wilson, President of GE, attempts, in part, to defend the position of that company:

A full disclosure of General Electric's foreign agreements was made to the Department of Justice in 1922. Later still, copies were furnished to the

² In the New York regional office of the Department of Justice some 5000 similar agreements have been filed involving over 200 American companies. A similar suit was filed against the Westinghouse Electric Company on April 13, 1945. *Ibid.*, April, 1945.

³ In 1941, 1942, and 1944 the Department of Justice sought to obtain a reversal of a U. S. Supreme Court decision, in 1926, in favor of GE on this issue but the War and Navy departments obtained suspensions of the trials. See Moody's *Manual of Investments: Industrial Securities* (New York), 1944, Vol. 3, 2524. Hereinafter referred to as Moody's *Manual*.

Federal Trade Commission, which rendered to the Senate in 1928 a full and comprehensive report of them. This report has since been a matter of public record and at no time up to now has the Department of Justice questioned their legality. All subsequent agreements have followed the same pattern. This would hardly be termed a conspiracy.⁴

Of course the failure of the Department of Justice to bring final action until now does not necessarily prove that such agreements were legal or even desirable. The following data are based entirely upon such public records as are available alike to the general investor and the student of economic history.⁵

Since 1919 there has been nothing fundamentally new or peculiar about GE contracts for the exchange of patent rights and related matters which differed from those of the pre-1914 period. The Federal Trade Commission recognized the existence of such arrangements in 1916 when, in answer to the question of whether Americans could successfully compete with the Allgemeine Elektrizitäts AG and other similar concerns in Germany, the spokesman for the Commission stated:

The General Electric Company has long since reached an understanding as regards patents with AEG, Siemens, Bergmann, and Auer and a division of the territory of the world. The relations to the AEG are closer than to the others. The Westinghouse Electric Company has gradually retired from the field or reached patent agreements with these companies. Successful competition along the general electrical lines of lamps, motors and apparatus, in the face of excellent quality and low price of the German products, is however, hopeless.⁶

The Department of Justice and Assistant Attorney General Berge make a close synthesis between American industrial

⁴ *Journal of Commerce*, Jan. 18, 1945. Mr. Wilson went on at great length to claim that GE has adhered to the letter and spirit of the Sherman Act and cites how GE relied on such eminent legal counsel as the late Newton D. Baker, who allegedly upheld these contracts. GE cites the Webb-Pomerene Act, which permits American industries to enter into agreements with each other to allocate foreign trade, as its defense.

⁵ *Moody's Manual* since 1923, the releases and other publications of the Securities and Exchange Commission since 1934, and other government publications, Annual Reports of GE, and current commercial and financial periodicals.

⁶ Federal Trade Commission, *Report on Co-operation in American Export Trade*, Washington, 1916, Pt. II, p. 54.

relations, of the type indicated in the charges against GE, and the cartels of the recent Nazi regime as a menace to the post-war world.⁷ Though this may well be true it should also be remembered that these close contractual relations of American industries, including GE, with German cartels were not a development of either the post-1918 period or Nazi Germany, but date back to the era of Germany's rapid rise as an industrial nation prior to the European War of 1914. The point is that there is nothing particularly unusual about the present controversy insofar as the old arguments over cartels and free competition are concerned.

The controversy is really important because of present political and economic trends created by and during the war. The arguments for free competition in international trade after this conflict, in place of cartel agreements, as a guarantee for world peace have as yet no precedent in fact. Unfortunately, in foreign trade free competition is not likely to be achieved in the foreseeable future. The tendency of the great industries of the world will probably continue more than ever to reach some form of closed agreements governing their relations in the international field which will correspond to the political position of their respective governments. In the case of American industries they will seek such arrangements either around prohibitory laws or actually through the laws themselves as they have in the past. Whether such arrangements constitute cartels or something else matters little for it is the results that are important. Such a tendency the Department of Justice tacitly and, in part, openly admits as is evident in the present GE case.⁸ However, the present moment furnishes a unique opportunity for the American government to assist in eliminating the German cartel system

⁷ W. Berge, "Cartels: a Challenge to a Free World," Washington, 1944.

⁸ *Journal of Commerce*, January and April issues, 1945, for statements of Asst. Att. Gen. Berge on this topic.

permanently. One element in the excuse of American industries for entering into restrictive agreements with European cartels then would be removed. A period of at least limited free competition in world trade might thus be inaugurated.

An Example of Closed Arrangements

THE GE COMPANY, through its subsidiary the IGE, represents an excellent example of the arrangements referred to above. Its relations with Germany are particularly important in view of certain projected plans to either liquidate or control German industry in the future.

The foreign business of GE expanded to such a great degree during the war years of 1914 to 1918 that a new company, the International General Electric Company, was created to take over the foreign department of GE. IGE was incorporated under New York laws on Jan. 13, 1919, and, incidentally, at the very moment the Paris Peace Conference was convening. IGE was in many respects a post-war plan of GE. Its operations were and are in the fields of foreign investment and as a manufacturing and selling organization of GE throughout the world except in Canada.⁹ Although GE is both an operating and a holding company, it should be remembered that we are concerned here only with electrical appliance manufacturing concerns and their contractual relations. The electrical utility, power, and holding companies are not directly involved in this discussion.

Mr. Gerard Swope was probably more responsible than any other one person for the founding and initial successes of IGE. He served as its first president and in 1922 he also became president of GE, in which capacity he remained until 1940.¹⁰

IGE has represented all of GE's subsidiaries abroad and also

⁹ See Moody's *Manual*. The Canadian General Electric Company is not a subsidiary of IGE, but a separate corporation. See Table II.

¹⁰ *Fortune*, January, 1940, p. 68. J. W. Hammond, "Men and Volts: The Story of General Electric," New York, 1941, p. 381.

numerous other American manufacturing concerns.¹¹ Its entire common stock has been owned exclusively by GE and also its preferred stock except for some three thousand shares held by GE employees.¹² The products of IGE are, of course, those of GE and its subsidiaries particularly, utility and industrial equipment, household appliances, and special scientific apparatus. Their importance can scarcely be underestimated as being essential to all other modern industrial production whether for war or peace time consumption.

IGE has operated abroad primarily through proprietary manufacturing companies, selling agencies, and/or affiliated manufacturing companies. IGE relations with Germany have been primarily through the affiliated manufacturing concerns of *Allgemeine Elektrizitäts A-G* (AEG), *Siemens-Halske*, *Siemens-Schuckert A-G*, and "Osram" G.m.b.H.

TABLE 1¹³

International General Electric, 1943

1. Active Subsidiaries:

- China General Edison Co., Inc.
- General Electric Co., Philippine Islands, Inc.
- General Electric Cubana, S.A.
- General Electric, S.A., Argentina
- General Electric, S.A., Brazil
- General Electric, S.A., Mexico
- International General Electric, S.A., Inc.
- International General Electric of New York, Ltd.
- International General Electric Co. of India, Ltd.
- International General Electric Co., Inc., of Java
- International General Electric Co., Inc., of Porto Rico
- South African General Electric Co., Ltd.

2. Associated Manufacturing companies abroad in 1938 *exclusive* of those in Germany but also holding manufacturing, selling, and patent rights of IGE.

¹¹ Moody's *Manual*, 1938, 2971.

¹² *Ibid.*, 1923, 1780.

¹³ Adapted from SEC, *Survey of American Listed Corporations*, New York, 1943, p. 91, and Moody's *Manual*, 1929, 2928-33, 1944, 2525.

Amalgamated Wireless Valve Co., Ltd., Australia
Association of Electrical Industries, Ltd., England
Australian General Electric, Ltd.
Companie des Lampes, France
Companie Francaise Thomson-Houston, France
Curtis Lighting Europe, Belgium
Philip's Glowlampwerke, Ltd., Holland
Shibaura Engineering Works, Ltd., Japan
Sociedad Iberica de Construcciones Electricas, Spain
Societe d'Electricite et de Mecanique, Belgium
Societe Generale de Construccions Electriques et Mecaniques, France
Thompson GE, Portugal
Thomson-Houston, S.A., Romana, Roumania
Tokyo Electric Company, Ltd., Japan
United Incandescent Lamps & Electric Co., Hungary

Before tracing the relations of IGE with each of the German concerns it should be noted that IGE has issued no separate annual report since 1930 and that its operations are consolidated with those of GE. Profits, interest paid, dividends, and other financial data are given in the annual reports of GE.¹⁴ It may also be remembered that the *Complaint* filed by the Department of Justice against GE and IGE is equally applicable against AEG, which is named as a "co-conspirator" but not a defendant, but no specific reference is made to the other German concerns.¹⁵

Background of GE and AEG Relations

THE CLOSE CONTRACTUAL RELATIONS between GE and AEG, described in the *Complaint* of the Department of Justice, date back in their origin to the 1880's when GE was still the Thompson-Houston International Electric Company and to a predecessor of AEG, the Union Elektricitats Gesellschaft.¹⁶

¹⁴ *Annual Reports* of General Electric Company, Schenectady, New York, 1898-1944. These *Reports* are, of course, the original source for public information on the annual activity of the company. A condensed report on IGE is also given in these reports from the twenty-eighth annual report of 1919 to the thirty-ninth report in 1930 as well as since the latter date.

¹⁵ *U.S. vs. GE et al.*, *A Complaint*, sec. 4, p. 3.

¹⁶ Not to be confused with AEG-Union Electric Co. of Vienna since 1919 or with

Their agreements were renewed and revised by GE and AEG in 1903 and by IGE and AEG in 1922.¹⁷

The AEG of Berlin was originally the German Edison Company for Applied Electricity, which was founded in 1883. It became AEG in 1887. Its business, products, and procedures were virtually identical with those of GE. Since 1919 it has maintained some eighty branches in Germany and over one hundred and fifty foreign branches, chiefly in Europe but also in South America, South Africa, and in the Far East.¹⁸ AEG has maintained, to probably a greater extent than has GE in the United States, vast holdings in a great variety of other German industrial and financial holdings. In itself, AEG was very representative of the German system of cartels and concentration in industry.

TABLE II¹⁹

Active Subsidiaries of GE in 1938 and 1943 *exclusive* of IGE*

1. In which GE held 100% of the voting power:
 - Carboloy Co., Inc.
 - East Erie Commercial Railroad
 - Edison General Electric Appliance Co., Inc.
 - Electric Securities Corporation
 - General Electric Contracts Corporation
 - Electric Acceptance Corporation
 - General Electric Employees Securities Corporation
 - General Electric Realty Corporation
 - General Electric Supply Corporation

AEG of Berlin though both controlled equally the subsidiaries of the Vienna firm. There have always been exceedingly close relations between the German and the Austrian companies. They have maintained very definite agreements relative to mutual operations in central and southeastern Europe. The Vienna AEG & Union Electric Company was created in 1898.

¹⁷ U.S. vs. GE et al., *A Complaint*, sec. 21, pp. 8, 9.

¹⁸ Moody's *Manual*, 1944, 2072.

¹⁹ Adapted from Securities and Exchange Commission, *Survey of American Listed Corporations: Registrants and Subsidiaries for 1942*, New York, 1943, p. 91, and Moody's *Manual*, 1939, 2928-33, 1944, 2525.

* The General Electric Company in 1935 and in following years sold out its holdings, largely as a result of court action, in the Electrical Household Utilities Corporation and Radio Corporation of America (RCA).

General Electric X-ray Corporation (includes Victor X-ray Corporation with branches in Latin America, Canada, India, and Great Britain)

Locke Insulator Corporation

The Maqua Company

The Monowatt Electric Corporation

Trumbull Electric Manufacturing Company

Warren Telechron Company

2. In which GE held less than 100% voting power:
 - Canadian General Electric (95.4%)
 - Elmira Foundry Co., Inc. (98.8%)
 - 18 active and 8 inactive foreign subsidiaries (minority holdings)
3. Affiliated and Associated Concerns (minority holdings)
 - Electric Vacuum Cleaner Co., Inc.
 - Acrods Corporation

GE relations with AEG through IGE were primarily financial and contractual relative to patents, trade allocation, and trademarks. In regard to the financial phase, the Department of Justice suggests that ". . . GE and IGE have adopted and carried out a policy of acquiring and holding substantial financial interests in and representation on the Boards of Directors of . . . the co-conspirators."²⁰ The real importance of GE financial holdings in AEG is more apparent when one realizes the vast holdings the latter had in German industrial life. Since its very origin IGE held an interest, as a subsidiary of GE, in stock of AEG totaling Rm 30 million. However, provisions of their patent-trade agreements specifically forbid GE from ever acquiring a controlling interest in AEG²¹ From 1921 to 1939 IGE's stock interest in AEG amounted to twenty-five per cent but at the time the federal suit was filed against IGE (Jan. 18, 1945), it had been reduced to 18.14 per cent.²² In 1929 AEG increased its com-

²⁰ U.S. *vs. GE et al.*, *A Complaint*, sec. 43, p. 17.

²¹ Moody's *Manual*, 1930, 2449-50.

²² U.S. *vs. GE et al.*, *A Complaint*, sec. 43, p. 17.

mon stock from Rm 150 million to Rm 178,750,000. This capital increase was taken over by GE at 200 per cent.²³ IGE was, of course, affected by the termination of the American Depository Receipts Agreement, Oct. 1, 1937, by which one new German Rm 100 share was issued for receipt of each thirty American shares and American holders were notified to surrender their receipts.²⁴

Patent and Trade Agreements

EQUALLY IF NOT MORE IMPORTANT than the financial relations were the contractual agreements regulating the exchange of patents and other rights and the elimination of trade competition. These agreements between IGE and AEG were essentially the same, in their general character, with similar agreements between IGE and various other foreign concerns. The agreements with AEG are, therefore, illustrative of the system.

In the period between the two world wars, the agreements between IGE and AEG date from January, 1922. In general, the agreement of 1922 and similar agreements relating to trade zones provided that the United States would be the exclusive area for GE and conversely continental Europe or designated parts thereof would be the exclusive territory of the other contracting party. By exclusive territory is meant the sole right to manufacture and sell electrical products in such territory together with the exclusive use, in their respective territories, of all rights, licenses, patents, and technical information both present and future which the parties agree mutually to exchange. Finally, every effort was made to acquire mutually the benefits obtained by their agreements with third parties.²⁵

Specifically, the original agreement of January, 1922, be-

²³ *Moody's Manual*, 1930, 2449-50.

²⁴ *Ibid.*, 1944, 2072.

²⁵ *U.S. vs. GE et al.*, *A Complaint*, sec. 26, p. 10.

tween IGE and AEG provided that for purposes of trade all of Germany, Austria, Danzig, and Memel would be the exclusive territories of AEG and that IGE would refrain from selling its products in this area. Conversely, AEG would regard the United States as exclusive territory of GE.²⁶ The original agreement applied *only* to electrical equipment and expressly excluded domestic appliances such as vacuum cleaners, cooking, and heating appliances.²⁷ Actually, however, AEG and IGE and their respective subsidiaries carefully refrained from selling these latter products in the territories of the other. As an example of this policy the *Complaint* cites a letter of Jan. 8, 1926, from an official of IGE to the president of the Electric Vacuum Cleaner Company:

You are aware that by special arrangement with the A.E.G., the electric vacuum cleaner business is considered outside the scope of our contract with them, so that the International Company can sell in the territory of the A.E.G. if it chooses. Conversely, the A.E.G. can sell vacuum cleaners in the United States. This holds true of some other devices such as, the products of the Edison Electric Appliance Company. As a practical matter, the A.E.G. does not attempt to sell in the United States and we have carefully refrained from undertaking the exploitation of material outside the scope of our agreement with the A.E.G. in Germany or the other territory of the A.E.G.

It is to the interest of the Electric Vacuum Cleaner Company, the Edison Electric Appliance Company and similarly situated companies to refrain from selling in the territory of the A.E.G., because that Company, being generally in a position to market their products in the United States at low prices, might act conversely. This would result, we fear, in a general lowering of prices of those products in this country."²⁸

The original agreement between IGE and AEG was from time to time supplemented by such policies as indicated in the above noted letter and by specific amendments. The objectives of such additions being, of course, further to eliminate

²⁶ *Ibid.*, sec. 42a and b, p. 16.

²⁷ *Ibid.*, sec. 31, p. 11.

²⁸ *Ibid.*, p. 12.

competition. One such agreement in 1927 provided that: "The fields not comprised in the scope of the principal agreement . . . shall be considered as if they were comprised in such scope. . . ."²⁹ Incidentally, such items as radios, X-ray equipment, and lamps were governed by separate agreements.

In addition to the complete and mutual exchange of all rights and licenses to and under all patents IGE and AEG agreed, in October, 1927, to: ". . . the right to register in their . . . territories the trademarks of GE and IGE. . . ."³⁰ AEG was expressly prohibited from using the trademarks of GE and IGE by virtue of the original agreement of 1922. Such provisions helped to enforce the territorial limitations of their trade agreements inasmuch as AEG could thus prevent the entry into its area of products having the "GE" trademark. The agreements between IGE and AEG provided for and have as their policy the establishment of interlocking agreements between IGE and AEG and their respective component parts and/or subsidiaries. For example, there were agreements between AEG and the various associated manufacturing companies of IGE listed above in Table I, such as the *Association of Electrical Industries, Ltd.* (AEI) of London, England.³¹

Agreements Only Suspended By War

IT IS THE SUM TOTAL of all these agreements, policies, and practices which is important inasmuch as they establish an intricate cartel system binding the American electrical appliance industry to that of Germany. But even more important than this factor, and the real point to be emphasized, is that these agreements are now merely *suspended*—not abrogated—by the war. In other words, they are unenforceable only because they are at the moment impossible of performance.

²⁹ *Ibid.*, sec. 33, p. 12.

³⁰ *Ibid.*, sec. 40, p. 15.

³¹ *Ibid.*, sec. 44, p. 17. See also Moody's *Manual*.

These and a multitude of similar agreements are still valid and capable of being applied *at any future time* in the same manner in which like arrangements were re-applied after the European War of 1914 provided the German firms are not eliminated and GE and IGE are not restrained by federal court action. The Department of Justice contends that not only were these and similar agreements with other foreign concerns carried into full effect, but they are still operative and where practicable are about to be revived. It is for these and related reasons that the Department of Justice seeks to invalidate these agreements by having them declared conspiracies in violation of the Sherman Act and the Wilson Tariff.³²

Insofar as is generally known the relationship between IGE and the German concerns of Siemens-Halske, Siemens-Schuckert, and "Osram" G.m.b.H. were primarily of a financial rather than of a contractual character. However, these financial relations are none the less important in view of the agreements of IGE and AEG. According to Moody's *Manual*: ". . . the relations between the two companies (IGE and Siemens-Halske) are very cordial."³³

The Siemens-Halske company was incorporated in 1897 and superseded the *Kommandit Gesellschaft Siemens-Halske*. The latter had been founded in 1888 to engage in electrical engineering projects which in turn was a successor of *Siemens and Halske* founded in 1847. Siemens-Halske acquired and continued to operate the *Kommandit Gesellschaft Siemens-Halske* and then it organized and affiliated with the *Siemens-Schuckertwerke* in 1903. The group comprising *Siemens-Halske*, *Siemens-Schuckert A-G.*, and *Elektricitats A-G vormals Schuckert* represent the largest electrical equipment manufacturers in Europe. They specialized in equipment for

³² *Ibid.*, secs. 1, 41, 45, and Prayer, p. 19.

³³ Moody's *Manual*, 1939, 2933.

telephone, telegraph, radio, signal, and all manner of related devices and instruments.³⁴

Siemens-Halske differed from AEG and GE to the extent that it concentrated to a greater degree in the "heavy-current" field of electrical manufacturing. It also controlled well over half of the telephone business in Germany, though its chief competitor was the German subsidiary of the American company of International Telephone and Telegraph (IT & T).

As in the case of AEG and other German great industries, the Siemens-Halske group acquired vast holdings in a great variety of industrial and financial enterprises in Germany and abroad during the years 1900 to 1939. No attempt can adequately be made here to examine in detail the scope of Siemens-Halske activities nor of all their relations with IGE. However, since their relations were largely financial, a few examples will suffice.

In 1929, in an article entitled "Ueberfremdung," Mr. T. R. Ybarra referred to a speech by Dr. Carl von Siemens in which the latter viewed with alarm the great influx of American capital in German electrical industry. In fact, Dr. Siemens allegedly implied that AEG was actually unpatriotic to sell itself to America's GE.³⁵ In spite of this, the fact remains that in February, 1930, occurred what was probably one of the most important financial acquisitions of GE in Siemens-Halske. In January, 1930, Siemens-Halske was authorized to issue Rm 30 million in participating gold debenture bonds. Fourteen million dollars worth of these debentures were sold in the United States of which ten million were acquired by GE in February, 1930, at 230 per cent, which represented an investment of twenty-three million dollars.³⁶

³⁴ *Ibid.*, 1938, 1942, and other volumes for the years 1923-1944.

³⁵ *Outlook*, Dec. 18, 1929, p. 627.

³⁶ *Thirty-ninth Annual Report*, General Electric Company, 1931, p. 10, and *Business Week*, Nov. 11, 1931, pp. 37 x. See also *Moody's Manual*, 1939, 2933.

Although IGE was allowed no voting power in Siemens-Halske, as a result of the above and other financial transactions, the former did share substantially in the profits of Siemens-Halske. The terms of these participating debentures are interesting if for no other reason than the fact they were due to mature in a thousand years, *i.e.*, Jan. 15, 2930! The principal of any series A debentures were payable on any interest date after seventy-five years upon six months' notice.³⁷ Beginning with the April 1, 1940, coupon the four and one-half per cent annual interest was payable only to holders who were not citizens or residents of countries which severed relations with Germany.³⁸ At this same time IGE sold its entire holdings of the ten million, thousand year participating debentures of Siemens-Halske to an unnamed private individual for cash in United States dollars and at a price in excess of par.³⁹

The visit to the United States, in 1931, of Dr. Carl Siemens at the invitation of Dr. Nicholas M. Butler was apparently regarded by the German interests as a move to bring about an understanding between the three great firms of GE, AEG, and Siemens-Halske for the elimination of competition in heavy equipment in the markets outside their trade agreements.⁴⁰ Whether or not this was the case, the fact remains that these three great concerns did have a common bond in their joint control of "Osram" G.m.b.H. This concern was organized originally as "Osramwerke" G.m.b.H. Kommanditgesellschaft in 1918 but changed its name in 1920. It specialized in the manufacture of all types of electric bulbs and controlled several German subsidiaries.⁴¹

"Osram" G.m.b.H. consisted of a corporation with partnerships, *i.e.*, one having unlimited liability ("Osram") and

³⁷ Moody's *Manual*, 1939, 2933.

³⁸ *Ibid.*, 1941, p. 2183.

³⁹ *Ibid.*

⁴⁰ *Business Week*, Nov. 11, 1931, p. 37.

⁴¹ Moody's *Manual*, 1927, 2521.

limited liability of the others, namely, AEG, Siemens-Halske, GE, and Deutsche Gasglühlicht Auergesellschaft. The capital was, therefore, divided into two classes, limited and unlimited.⁴²

The direct participation of GE in "Osram" amounted to seventeen per cent of the capital stock and they jointly controlled Telefunken A-G. The latter, incidentally, had a practical monopoly over German radio which together with agreements with the Radio Corporation of America (RCA) precluded the importation of American radios into Germany.⁴³ GE and "Osram" also had agreements for the exchange of patents and related matters. They jointly controlled the Bergman Elektrizitäts Gesellschaft, perhaps the third largest electrical concern in Germany.

One may justly conclude that whether or not the agreements referred to above were and are legal from the viewpoint of the Department of Justice they certainly are very real. They constitute a workable precedent and/or basis upon which future policy and practice relative to German electrical industry can be determined. Although speaking with reference to the domestic field, Mr. Charles E. Wilson made a statement that was equally applicable to the international scene which was that : "Obviously any plan for the post-war 'day after tomorrow' has to find seed in yesterday. This is particularly true, . . . , in the case of the electrical industry in respect to both manufacturing and the distribution of power."⁴⁴

The Issues in the GE Case

THE REAL QUESTIONS INVOLVED in the GE case are not alone the validity of the contracts with the German cartels or whether or not a conspiracy in violation of the Sherman Act

⁴² *Ibid.*

⁴³ *Business Week*, Nov. 11, 1931, p. 37.

⁴⁴ *Scientific American*, November, 1942, p. 203.

and the Wilson Tariff exists. The real problems are the future of German electric industries and the relation of American electrical industries to Germany in this post-war period. If German war industry is to be eliminated, at least in the Anglo-American controlled sectors, which will inevitably involve the German electrical industry, will American and/or British concerns control that part of Germany's electrical needs in the future? If German industry is permitted to revive, will the above noted agreements, or something similar to them but having the same purposes, be established?

The simple fact remains that, as in nearly every other field of industrial activity, the electrical world of today is dominated by the great concerns of United States and Great Britain.⁴⁵ The position of the American firms perhaps should not be undone by federal prosecution, but, on the contrary, their efforts and achievements abroad should in some manner be utilized by the federal government in the interest of our national post-war foreign economic relations and in the interest of the general American public. Some form of international co-operation and control in the electrical industry is essential to progress in the post-war world. Such co-operation will come either by and with government support or in spite of it. Mr. R. W. Gallagher, President of Standard Oil of New Jersey, pointed out one way toward a possible solution of the controversies indicated in the GE case when he proposed that: "All foreign-trade agreements of U. S. companies, which restrict production and allocate markets, should be filed with the Government. The Government should have power to nullify specific agreements. To ward off the threat of anti-trust prosecution, . . . , anti-trust acts tempered so that criminal action could be taken in the case of foreign

⁴⁵ The position of British electrical industries in relation of their government being a vast topic in itself cannot be justly reviewed here.

agreements only if the company failed to register or failed to terminate the agreement after federal order."⁴⁶

Mr. Gallagher stated further that: "We should find means consistent with the welfare of our own country which will enable American business legally to compete abroad. American businessmen want to obey the law and they want to increase foreign trade. The only way they can do both is to assure them that when they obey the laws of other lands, they are not breaking the law of the United States."⁴⁷ The great industries have argued that until now, since free competition has not existed in international trade, it has been a question of either private international industrial agreements relative to the control of markets, production, and prices or face exclusion from doing business abroad. Assuming this to be the case it would seem more advantageous to all concerned for the federal government to regulate and utilize the international capacities of such firms as GE rather than to weaken them.

In conclusion, we observe that the General Electric case quite clearly illustrates the two divergent points of view on American industrial relations abroad since 1919. The Department of Justice, in the interest of the nation, adheres to the enforcement of anti-trust laws, advocates free competition, and denounces as detrimental to world peace, progress and prosperity all cartel arrangements. Therefore, it seeks to invalidate not only German but all foreign commitments of the General Electric Company which are of a monopolistic character. The General Electric Company, however, presents the traditional viewpoint of the great industries in maintaining the policy of expediency and necessity as the reasons for collaborating with foreign cartels and primarily in the interests of its stockholders. Actually, the desire on the part

⁴⁶ *Time*, June 5, 1944, pp. 84-85.

⁴⁷ *Ibid.*

of industry to maintain foreign relations, such as those of GE, as outlined above, is obvious. The issue is more critical because of the revolutionary developments which are now taking place in the economic and political structure of the world as a result of the war.

Louisiana State University

Labor and Responsibility

LABOR HAS MADE great strides toward its rightful place in modern industrial society. It has advanced by its own resolute efforts and by the aid and encouragement of two liberal war administrations, that of Wilson and that of Roosevelt. Historically war had as a rule been attended by social reaction. It lies in the power of a war administration to thrust aside the claims of labor, in the name of efficiency for war. This did not happen in either World War. Labor issued decidedly stronger from the first World War. Its power has grown under the second World War.

Most good citizens view with deep satisfaction the successful advance of labor toward a position of power in the State. Labor was once a mere commodity, to be bought in the cheapest market by the rising capitalists. It is no longer a commodity, a commodity more susceptible than most to the beating down of prices. It is an agent of production alongside of management and capital. It is in many respects the most powerful agent of the three. Good.

But the democratic mind couples responsibility with power. Irresponsible power, whether of Government, of finance, of management, of labor, is tyranny. From colonial days Americans have hated tyranny, and have ultimately risen in indignation to put it down. It was the cry of tyranny that dislodged the British power over the sparsely settled, militarily inept American colonies. It was the hatred of the tyranny of the Slave Power that brought on and won the bloodiest civil war of our time. The tyranny of the railroads and trusts gave rise to the Progressive movement in American politics, a movement that placed the railway barons in strait jackets—perhaps too strait—and forced the trusts at least to practice camouflage and the acts of apparent virtue. What has become of the tyranny of the great banks and Wall Street?

The ablest men in the labor movement are quite aware of this deep seated American hatred of power without responsibility, of tyranny. But the sense of responsibility is far from permeating the entire labor movement. To many leaders of labor it looks very clever to tie up an industry just when the public interest may take the maximum damage. Labor proves its power.

Labor has power, indeed. But the American people also are possessed of power, and hate irresponsibility, and tyranny.

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Training Quadrupeds and Educating Bipeds

By FRANCIS NEILSON

I

A SHORT TIME AGO I received a letter from a famous American general who fought all through the first World War. He told me that he was deeply disturbed at the way things were going and that he wondered if we were not heading for another general disaster. Among other pertinent things he said:

. . . If today we are making progress, it is very difficult to detect. Certainly we are not doing much to improve the breed of an animal called man.

My friend is not an anthropologist, and I doubt if he knows very much about that science, but his letter reminded me of the complaints that have come from leading anthropologists in recent years. They and the general seem to be of one mind about present conditions.

Our economists and sociologists are up a tree at present and know not whether to attempt to scale higher or descend to earth. They have placed themselves in the most invidious position and now, when everyone is crying in his heart for guidance, they seem to be tongue-tied. What have they done to improve the breed of the animal called man?

In looking through some books that have come from England during the past two years, I have searched in vain for a guidepost that would indicate to the people which road they should take. Our mentors and instructors seem to be affected with a palsy, and the war is not to blame for this because it was most noticeable twenty years ago. They have not advanced an ell since the old system of educating youths was abandoned.

When I read books written by our economists and sociologists, I am often surprised to find what a narrow view is taken of the activities of men and women in general. Two fields of human endeavor which contain striking examples of practical training and strict methods of education are overlooked or ignored by those to whom we turn for advice and guidance. Consider the theater and horse racing.

The educationists may say that these stand outside the purview of the schools and that a special knowledge is called for in each activity, which precludes the possibility of teachers treating these subjects from an economic or a sociological standpoint. That may be true, but the nearer we approach the bread and circus time, which we are told will soon be here, the more certain we should be that the preparations for the circus should be made well in advance. I see all the indications which convince me that the mind of the public is running increasingly in that direction.

II

FOR INFORMATION that would serve us in preparing for the return to Roman holidays we cannot look to the church. It seems to be bankrupt of ideas. Several years ago I was called to a meeting of ministers of the gospel to suggest what could be done to fill the empty benches of their churches. They called upon me because they had learned that at one time I was associated with the theater. "Would it be possible," they asked, "to start amateur theatrical societies which would attract the young and encourage them to perform the religious duties of the church?" I told them there were plenty of excellent religious plays that might be put into rehearsal as a test of what could be done. The trouble was that they were ministers of the gospel and not stage directors. They knew nothing about that business, and they wished me to tell them where they could find men or women who would, for

a small fee, start them going. I never heard how the movement progressed, but I imagine that it came to nothing.

There are hundreds of thousands of men, women and children busy, year in and year out, in the production of plays and movies. Think of all the trades that are called upon to supply the accessories required for the performance of a play! Electricians, carpenters, scenic artists, clothiers, and furniture-makers are only a few of the craftsmen who are required; besides, there are the machinists, the supernumeraries, and the actors! The economic pressure upon these people is severe. It is only the highly paid ones that escape hard times. Indeed, I know of nothing more pathetic than an actor or an actress who, in order to impress a manager, must keep up appearances when he finds it difficult to pay his room rent, to say nothing of appeasing his hunger. I have known scores of these people. Our economists and sociologists expend a great deal of ink telling us of the sufferings of laborers in other pursuits, but few touch upon the tribulations of those who wish to enter the temple of Thespis.

Here is a great field for our educationists to explore if they would wish to find some hints or suggestions about how the untrained is taught the intricate business of the stage. More often than not the raw recruit is nearly illiterate. He or she can read and write, but as for knowing anything about the art and history of the stage or what will be expected of him at rehearsal, most of them are quite ignorant. Imagine, then, what the trainer must do with the neophyte put into his charge! Rehearsals usually extend over a period of three or four weeks. In the movies, perhaps, they may run to two or three months. For this work there is no prolonged period of training comparable to the high school and then afterwards the college or university. What is done by our educationists in the establishments of learning must be accomplished in the

theater within a few weeks. And it is incumbent upon the stage director, acting in the interest of the men who are spending their money upon the production, to say whether an actor or an actress is competent to play the part. No one is encouraged to persevere when perseverance is not in his composition. The dullard is got rid of as quickly as possible, for he or she might easily ruin a scene and cause the failure of the play or the movie.

Training in the theater, therefore, is an entirely different practice from that which is in vogue in our schools and colleges. But this is not all. The auditor who goes to the box office and pays for his seat is the one who determines whether the show is worth the price. And these critics go in their millions, night and day, to pronounce judgment upon the productions that are offered to them. There is no sentiment in this channel of the people's activities. It is strictly a question of meritorious performance.

Many years ago I was called from London to New York to produce a play, the dramatization of a novel of probably the most popular writer of fiction of that time. I accepted the engagement on the condition that I would be away from London for only a month. That meant the rehearsals of the play would have to be done in eight or nine days. Fifty or sixty children of ages varying from five to twelve were required for the principal scene. Before leaving London, I cabled to the manager to go to an old friend of mine in New York, who some years previously had provided children for stage productions. I directed him to ask her to find for the piece little ones who had not been to children's schools of acting. Every day for three hours I worked with these boys and girls, and on the fourth day the manager came to me and asked if a certain famous American actress could see one of the rehearsals. I broke my rule of not permitting strangers to wit-

ness my work because one of my first engagements as a super had been carrying a torch in a play in which this lady became famous. After the rehearsal was over, she told me it was a revelation. The visitor asked if she might come to each rehearsal in which the children appeared.

It would not be fair to say they made a success of the play, because the adults were perfect in their parts. But those boys and girls taught me a lesson I have never forgotten. It was this: that little ones—who could scarcely read or spell and had been drawn from the districts of the poor—could rehearse without being self-conscious, and be trained to act the parts of characters from far superior environment and education. To put it in the words of the author of the piece, they behaved "like little ladies and gentlemen." This incident convinced me that the cultural line, which divides the child of the mean streets from that of the better-class home, is not so broad as some sociologists imagine. The effect produced by these children upon the audience was so great that the critics were unanimous in saying each one was a little genius. And this was done in nine days!

Some time ago I attended a meeting at which there were present fully a hundred of a great city's leading educationists. Toward the end of the proceedings, a wise, old, retired president of a university was asked to say a few words. He thanked them for inviting him to the conference, but he pleaded that he had very little to add, save the following: "Gentlemen, the trouble with you all is that you are engaged in a profession that has become a kind of crèche for helping incompetents to bridge over that period between the time when they are a trouble to their parents and the day when they must leave home."

In the theater incompetents are not tolerated. Although occasionally we may see performances by men, women and

children which do not meet with our approval, we have a feeling, as the play proceeds, that ninety per cent of the audience do not see the defects which appear large to the critic.

When the idea was originally promulgated that a child should be left to develop its character and to go its way untrained, an extraordinary change came over our system of education. Thirty years ago, when the first of these protagonists were busy finding wealthy people to support their experiments, I was often called upon to attend meetings and sometimes asked to give a few words of advice. My patronage was dropped (perhaps that was what I had hoped for at the beginning) when they understood that I was totally opposed to all the notions that they were spreading at meetings, in articles, and in pamphlets. One day an English lecturer invited me to hear his speech before a body of women at a well-known public forum. The guest was blunt—so much so that the audience was incensed long before he had finished his speech. I shall never forget his closing words. He told them of a great establishment in England in which there was a room that was called "the rogue's gallery." He described it vividly to them, and said there were rows and rows of photographs of men in stripes, and upon each image was a number. These were the greatest criminals that had passed through the hands of the police. And he believed that each and every one had been allowed to "develop his own character."

My experience with the stage and the methods employed in producing a play have often made me wonder why it is that people, from the age of ten or twelve upwards, can learn in a few weeks' time the exceedingly intricate technique of acting and the art of portraying rôles alien to their own nature but why, in our schools, progress is so slow, requiring eight or ten years to master the elements of education. What

magic is there about the stage that does not exist in the school-room? Does the difference lie here—that there is little or no attraction offered to the student in the class room and that, on the other hand, the stage offers him avenues of betterment and renown if he succeeds in satisfying the public? It may very well be that the child resents school as an interference with his recreation and that the stage provides an entertaining arena in which the pupil's natural desire for play is satisfied. Whatever is the cause of the difference, surely it is worth the while of the sociologist to discover it and search for a way to make the school a place that will woo children to it instead of repelling them.

III

THE OTHER FIELD that provides many lessons to which our instructors might give heed is that of breeding and racing bloodstock. A sensation was caused in racing circles the other day when the news came from England that Sir Eric Ohlson had been offered \$500,000 for his colt, Dante, who won the last British Derby. The price seemed to many of my racing friends out of all reason, and there was speculation as to the highest amount paid for a race horse. Several were mentioned, notably Call Boy and Solario. It certainly seems an enormous sum of money to pay for a three-year-old horse, but when one takes into consideration the incomes earned by great sires as stud fees, it is understandable. I presume the man who made the offer for Dante is the owner of that horse's father, Nearco, for which a very high price was paid.

The story goes that when an American syndicate approached Lord Derby with a view to purchasing his famous sire, Hyperion, the owner said that no amount of money would induce him to part with him, for he considered the horse not only a British asset but that his progeny meant everything to bloodstock breeding in his native country. It

should be well known that great horses have brought high prices and that many of them have well earned the sums expended upon them. Take two great strains—those of St. Simon and Bend Or. The earnings of these horses and their progeny run into millions.

"The Thoroughbred Record" produces a list of thirty-two yearlings bought in this country. The prices paid for them amounted to \$139,700. During the years they were racing these animals won prizes amounting to \$4,383,919. The British studs could produce lists that show even greater earnings.

Is it possible to imagine that a far-seeing man would offer, say, \$5,000 for the purchase of a John D. Rockefeller or a Henry Ford at the age of 12 or 16? We would have to put it at that age because men live about three times as long as horses. Certainly the prizes that Rockefeller and Ford have won are far greater in financial worth than anything horses have brought to individual owners. This reminds me of the question put by the wits: "Is a race horse of greater value than a man?" Although men in Christian countries are not now bought and sold in the slave marts, it cannot be denied that they are cheap enough in the labor markets. But no matter how low the wage they receive, they are proud of the fact that they are politically free. That men cannot be purchased as chattels, in Christian democracies, is an accepted political fact.

No, indeed, slavery is abolished. We fought a very bitter war to banish that system from our land. But now you can get all the men you want at fifty dollars a month—millions of them—to go out and kill their fellows.

It is easy for us to brush the argument aside and say, "Yes, but men are men, and horses are cattle. There is a distinctive difference between humans and animals." That is undoubtedly true in the abstract, but is it the rule in society today?

It seems to me that most men start with next to nothing, run all the risks of the strife in the labor market, and do not succeed until they have put in an apprenticeship of twenty or thirty years. Most of these men have had little or no education or home training. Because of the circumstances in which they have been placed, they have to pick up their learning as they go forward. Indeed, some of the men who, during the nineteenth century in this country and in Great Britain, piled up enormous fortunes, did not have a real chance to get any book learning until they were in their thirties or forties.

This question of men versus horses was discussed the other day by the president of a well-known college, who had come from a conference held at a university in an eastern state, at which there were many educationists present and where the problem of the future of education was seriously considered. The meeting was adjourned until the autumn because there was no agreement as to how it was possible to shake off the toils of the modern system and return to the definite orderliness which was the rule in the establishments of learning when the liberal arts formed the general basis of education for students.

That could not possibly happen in the world of bloodstock breeders. Not because notions and ideas of racing stock are stereotyped. Not by any means! Horse breeding is perhaps the most intricate and difficult study that I know of. For the sake of argument, let us at once put out of consideration those people who buy a horse and have no other idea than that of seeing it win. These people are not interested in breeding and, indeed, they scarcely know anything about it. The breeder must not only be familiar with pedigrees of all the great strains, but he has to know the temperament of the sires and mares that he would mate. The literature on this question alone would make a large library. And, in the

main, it is the work of professionals who have spent their lives at the studs. The care that is lavished upon the selection of a sire for a mare is unknown in the world of humans. Then when the foal comes, the hopes and desires of the breeder increase daily as he watches its growth. The expenditure of thought on its food, the quality of the milk of the mare, the attention given to it by the groom are all part of the routine of the day, for he has in mind every time he sees it the coveted prizes of the Classics. Then when the yearling stage is reached, the hour approaches when it is to be broken, to be trained. I wish it were possible for some of our modern instructors to visit a training stable and see what is done for a horse; how the chief, with his assistant, counsels the boys seated in the breaking-saddle, as to the way each animal should be handled; and how this performance is repeated over and over again with a patience that Job himself would envy. The characteristics of the young animal are gently wooed and adapted into those ways which are most likely to result in the winning of great prizes. The schooling of a horse for racing purposes is one of the most exacting educational processes in the whole field of training quadrupeds or bipeds.

Guiding the development of a horse from the time when it is a foal is an experience in education that is unknown in our world. It has been lost ever since the time when parents and teachers were caught by the idea of letting a child develop itself.

IV

ONE OF OUR SOCIOLOGISTS of a generation ago dismissed the "rabble of the race tracks" in a few short sentences. One of his remarks was: "Betting is a curse and the cause of much poverty." He did not know that many of the wealthiest bloodstock breeders would go far toward agreeing with his

remark. However, there is much more to horse racing than the sums bet by people who cannot afford to lose a dollar. I have known, and I know now, many breeders and owners who do not risk a dime on a race. One of the richest of French breeders and owners never bet more than ten francs on a horse. The great sums gambled away daily in this country come from people who know little or nothing about breeding stock. They are influenced in their choice of animals upon which they place their bets by the press racing tipsters. So great is the demand for the latest information about horses that some of the popular journals issue special editions every morning during week days. Yet, this problem of people betting when they can ill afford loss is one that cannot be dismissed summarily, because it affects countless thousands who seldom in a lifetime see a horse race.

A recent estimate of attendance at seven tracks and of the total sums wagered as shown on the totalisator indicated that for every one bettor witnessing a race there were a hundred who bet and were not present. To give an idea of the importance of horse-breeding as an industry, it should be sufficient to record the attendance and the sums wagered at ten tracks for one day during the summer of 1945. A few more than 177,000 people wagered no less than \$11,238,243. Multiply six racing days a week for ten such tracks and try to estimate the number of people interested in horse racing and the sums wagered, as registered by the totalisator. If that is not big business, what is it?

Surely it means that betting is an ingrained characteristic of man and that no amount of admonition and restriction will rid him of it. Hence, the desire of some people to abolish horse racing altogether. This was attempted with disastrous consequences in the United States, for other means of wagering were quickly devised and, worse still, the most questionable practices of the alternative were forced under

cover, with the result that bribery and corruption for protective purposes flourished as never before.

The campaign against racing brought about restrictive laws which forced many of our breeders and owners to transfer their establishments to England and France. The loss to trainers, jockeys, stable-men and boys, and all those trades contributive to racing was incalculable. Everything from oats to plates (shoes) was hit.

Therefore, the economist and sociologist should realize that horse breeding and racing are two great industries that cannot be maintained unless the man in the street can freely "back his fancy."

It is not enough for us to regard this peculiar problem as one merely of the breeding of horses and the evils that arise from losses suffered by the millions who bet. It goes much deeper. To me, it seems to be another manifestation of the desire in most of us to escape for a while the utter drabness and monotony of life in the town. I have spoken to many working men and women about this, and the general idea in their minds is that the frivolities of the radio and the movie begin to pale and do not yield the excitement and thrills of expectancy they find in betting upon horses, whether they see the race or not. It is another form of escapism, and the hope that losses will be recouped another day spurs them on and carries them over the ditches of despondency. My waiter told me he has a fixed limit for his bets: eight dollars a week; and that he does not lose much. "It's worth it. Lots of fellows spend that much on the movies, beer, and the girls. You sure do get a kick out of a bet on a horse."

One of our best-known educationists came with me to the races and, although he knew nothing about "the game," he was amazed to see thousands of people avidly studying the racing papers before each race. What were they searching for? Information about the stables, the trainer, the breed-

ing, the jockey, speed trials, the weight to be carried, and the distance to be run. It was a revelation to him. Here he realized that thousands showed a desire to be educated, a desire seldom expressed in the schools and colleges. He thought it was a severe and a sad commentary on our system of educating bipeds to win civic and industrial races for themselves.

V

WHEN THE AVERAGE CHILD is considered by its parents to have a higher value than a horse, we may hope that the next generation will begin to retrace the forsaken paths which were tried and tested for long centuries and served to lead to excellent results. Parents today seem to labor under the delusion that a child requires little or no training and that, if it goes to school, it will be educated. I am sure this is so with the majority of parents with whom I come in contact. Indeed, I know few couples who are sufficiently well educated to help a child who shows the slightest desire to learn essential things. The children I have seen during the past thirty years, who have succeeded in college and at the university in becoming notable students, received no assistance whatever from their parents. And in the case of two who have done well, they admit that, looking back, they are sure they could have dispensed with half the years they spent at school and perfected themselves in their studies at home. There is nothing truer than the saying that, with those who succeed, most of their time, for the ten or fifteen years after they leave an educational establishment, is spent in learning how to forget what they were taught. It is, after all, the education you get for yourself that counts save, of course, in the sciences and the arts.

I do not remember a single one of the ten or a dozen precocious children in music who have been assisted by my friends who got in school anything that helped him to become

a pianist or a fiddler. And, yet, there are three or four, who have had no schooling worth talking about, because they had to give so much practice to the instrument they were learning to play, but who have become fairly well-read men and women. Indeed, music is one of the arts that induces study, not only of its history but of the composers and their times. The art itself opens up the vistas that must be explored.

For the mass, nothing better will ever be devised than the old apprentice system—whether it be cobbling, cabinet-making, weaving, spinning, the blacksmith's trade, or any of the manufacturing crafts. The lads of long ago completed more before they were sixteen than the vast majority of our men and women do in taking a full course through colleges and universities. The training itself is an education. The two go together. And, when I was a youth, the night school was infinitely more attractive than the day school because, after working in a shop for ten or twelve hours it was such a relief to wash up, take the evening meal, and go to class. Apprenticeship and the evening schools combined served better than any other system with which I am familiar.

Can we not learn something of value from the theater and the race track? In both spheres the training of temperament and character is essential. Indeed, success in either case is impossible without guiding and molding the traits of the individual actor and individual horse if the great prizes are to be won. A horse left to develop its own character would never see a race track. An aspirant for the honors of the stage would never see a first night if he did not follow the instructions of the producer of the piece. Discipline in these two fields develops character; it does not injure it in any way.

New York

The Japanese Mentality

By ALVIN JOHNSON

WHAT IS A NATIONAL MENTALITY, and how deep does it go? There is such a thing as a national mentality that characterizes "the classes"—that is, the upper classes. It differs widely from nation to nation. The Junker mentality differs widely from the English aristocratic mentality and still more widely from the captain-of-industry mentality. The Samurai mentality differs widely from the West Point mentality. But how about the mentality of Hans and Fritz, of Vincente, Pablo, Hashimura, Chen Chi, Bill Bucklin, humble peasants or farmers, laborers, artisans? Why, their mentality is surprisingly alike, and surprisingly like the mentality of persons of similar station in ancient Greece and Rome.

What does this mentality of the masses consist in? Nine-tenths of it is concerned with the private affair of managing and feeding a family. One may recall Figaro's declaration, that to bring in and lay out his few sous of income required more effort, more thought, more ingenuity than had been employed during a hundred years in managing the finances of the great realm of Spain. Such is the lot of the people of the lowest, and broadest stratum, except in a very limited area of Western civilization.

In the remaining tenth of the mentality there is room for religious ideas, superstitions, and the wisdom of life expressed in proverbs and fables. These vary somewhat from nation to nation, but since their content has been sifted through the facts of similar needs, the variation is by no means so great as one might imagine. There is greater variation in attitudes toward authority, running all the way from devoted submission to festering revolt, the latter most apparent where great

dynamic movements are on foot in the economic and social world.

But how about the terrible cruelty of the Japanese common soldier? War is by nature atrocious, however much we try through Geneva conventions to manicure it and give it a permanent. In all the history of warfare, down to recent times the common soldier robbed, raped and killed if not restrained by his officers. Read the speech of King Henry V to the citizens of Harfleur if you wish to learn Shakespeare's judgment on the behavior of soldiers flushed with victory. Universal education and universal service raised the moral level of the common soldier. Yet there has never been an army wholly free from occasional atrocities. Military leaders relying on terrorism have deliberately encouraged the murderous tendencies of soldiers burning with hatred of the enemy.

We do not have to wait for the reform of the mentality of the whole ninety million Japanese. It is the mentality of the upper strata, the aristocrats and their imitators in the business classes, the officers and their echoes in the press and in the schools—perhaps two or three per cent of the population—that needs to be overhauled. We hope, not too confidently, that a rigorous régime of occupation will choke most of the venom out of these dangerous classes.

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The Changing Pattern of the Newspaper Publishing Industry

By CHARLES V. KINTER

I

THE DAILY NEWSPAPER, in a little more than a century and a half, has entered the daily field of experience of almost every man and woman and of many children in the United States.¹ Costing only a few pennies and always available, the newspaper supplies the average American with entertainment and information, and helps him to buy intelligently.

Although newspapers and the "lords of the press" are widely discussed, few Americans seem to realize that the institution which we know as "The Press," or "The Fourth Estate," has been undergoing changes of major consequence.² The number of daily newspapers has declined rather persistently since 1909 as a result of mergers and suspensions. Whereas in many communities there were a number of competing newspapers, now only a few, or perhaps one, survives.³ The cost of newspaper publishing has risen steadily and still higher costs appear in prospect. Advertising revenues which might have gone to newspapers have been siphoned off by competing media.

The vital rôle played by the press in the life of any free people has long been recognized. Thomas Jefferson said: "Were it left to me to decide whether we should have a

¹ Alfred M. Lee, "The Daily Newspaper in America," New York, The Macmillan Co., 1937, p. 94.

² Occasionally articles on the changing rôle of the newspaper appear in magazines of general circulation or this subject is treated in connection with other material. For example, see "Freedom to Read, See, and Hear" by Morris L. Ernst in *Harper's* Vol. 191, No. 1142 (July, 1945) pp. 51-3.

³ Chicago, which now has five English language dailies of general circulation, in 1890 had eleven. Pittsburgh, with three dailies now, once had seven. In at least one middle western town, both the "Democratic" and "Republican" papers are owned by the same person.

government without newspapers, or newspapers without a government, I should not hesitate a moment to prefer the latter."⁴ Alexis de Tocqueville maintained: "To suppose that they (the newspapers) only serve to protect freedom would be to diminish their importance; they maintain civilization."⁵

With a strong, free press so important to the preservation of democracy, it appears of paramount importance to obtain a clear understanding of the economic problems of newspaper publishing and of the economic trends which have caused these profound changes in the industry. There are many examples, of course, where a government has throttled the press. This occurred in Nazi Germany during the 1930's and just recently in Argentina. But fundamentally the problem of a free press is an economic problem. The best guarantee of a strong free press in all except an authoritarian economy is financial strength, which enables a newspaper to stand and fight back when attacked, instead of being subservient to a political party or interest group for financial assistance. Moreover, the interests of the public probably can be best served when enough newspapers exist within every community to insure the representation of divergent points of view. This aids—still more strongly, perhaps fosters—the unfoldment of the democratic process.

In general, the metropolitan newspaper has only two things to sell: white space (advertising) and circulation.⁶ The principal operating expenditures of the newspaper fall into four groups: labor, raw material (principally newsprint),

⁴ Quoted in the foreword to "The Press in the Contemporary Scene," *Annals of the American Academy of Political and Social Sciences*, January, 1942, p. vii.

⁵ Quoted in "The Newspaper as an Advertising Medium," New York, Bureau of Advertising, American Newspaper Publishers Association, 1940, p. 13.

⁶ Discussion of the newspaper in this paper is confined to English language daily newspapers of general circulation published in the United States. For the most part, the treatment deals with metropolitan newspapers. This is desirable because of the inadequacy of reliable statistical material on less frequently published newspapers and those published in foreign languages.

equipment, and news and other services. As is the case with any type of business, the degree of prosperity of a newspaper publishing enterprise depends on the margin between what it takes in and what it must pay out. The large number of newspaper suspensions in recent years is grim testimony to the fact that all has not been well in this regard along Newspaper Row.

Improved transportation has widened the competitive area of most papers, but this in turn has probably been a factor in reducing the number of papers published in the United States. Some large papers, which a few years ago depended on train and other public conveyances for out-of-town distribution, now operate truck and motorcycle delivery systems over wide areas. An inkling of what may come in the future was given by the "American edition" of the *London Daily Mail* which was established during World War II, the various overseas editions of the *New York Times* and the *Chicago Tribune* and several other papers for American servicemen, and by the wirephoto edition of the *New York Times* published in San Francisco during the United Nations conference of 1945.⁷

Despite the growing expansiveness of newspaper circulations, newspaper publishing is still an industry the units of which are so diffused geographically that except for those located in the same city or trade area they are not competitive to any effective degree. For the most part, the stock-in-trade of a newspaper is intensive local coverage of its own territory, both in news and in advertising. A few newspapers, such as the *New York Times*, the *Christian Science Monitor*, and the *Chicago Tribune*, may obtain circulation over large areas of the United States, and these, and perhaps a few others, may

⁷ Type for a four-page newspaper was composed and made up in New York from copy representing the paper's complete work, foreign and United Nations parley file. Proofs were pulled and transmitted by wirephoto to San Francisco. From the transmissions, printing plates were made by photo-engraving.

eventually attain international circulation of importance. But most newspapers operate within a rather narrow geographic orbit. Because of the decline in the number of papers published in most communities, competition from other media of information, at the present time, is more serious for many newspapers than competition from other newspapers.⁸

II

THE PUBLISHING of daily newspapers is an enormous industry whose revenues from sale of advertising and papers runs from \$600 millions to \$800 millions a year. The people of the United States and Canada spend \$1,716,000 every week day and \$3,160,000 every Sunday for newspapers.⁹

Until the Great Depression which began in 1929, the industry was characterized by a persistent upward trend in the sale of papers, but since that time the growth in circulation has barely kept pace with the increase in population. During recent decades, there has been, as previously mentioned, a persistent downward trend in the number of units in the industry.

From two-thirds to three-quarters of the revenue of most newspapers comes from advertising. In years of high business activity, the proportion supplied by advertising increases, but in years of depressed business circulation revenues hold steadier and hence their proportion increases.

⁸ For the most part, the statistical series used in this paper extend from 1918 through 1943. Some begin earlier, however, and some extend through 1944. Actually, the data well could have ended with 1941, the last year of peace. After that time, much of the data loses significance. For example, almost every daily newspaper in the United States could have sold more advertising or papers during the prosperous war period if ample newsprint had been available. Despite controls, things that newspapers buy have risen in price, thus pushing up still faster the costs of newspaper publishing. On the other hand, many newspapers have overcome some of the war's hardships by raising rates for advertising and subscriptions and by running a higher percentage of advertising than has been customary in the past. As a result of the distortions caused by the war in the economic fabric of newspaper publishing, some of the pressing problems of newspaper publishing have been concealed at least temporarily. It is significant, however, that the long-term decline in the number of dailies continued through 1944.

⁹ *Editor and Publisher*, New York, September 9, 1944, p. 66.

Due to higher subscription prices and the failure of advertising revenues to recover their pre-depression levels by the end of the 1930's, the proportion supplied by subscriptions was higher in the years just before World War II than during the 1920's. For some years, publishers have sought to boost the proportion of newspaper revenues coming from the reader instead of the advertiser.

TABLE 1—AGGREGATE VALUE AND RECEIPTS OF NEWSPAPERS
(000 omitted)

Year	Total	Sales & subscriptions	Advertis- ing	% sales & subscrip- tions	% adver- tising
1939	844,687	306,192	539,495	36.14	63.86
1937	861,689	287,508	574,180	33.37	66.63
1933	667,820	239,147	428,673	37.32	62.68
1931	886,523	261,569	624,954	29.51	70.49
1929	1,073,119	275,781	797,338	25.70	74.30
1927	977,648	252,811	724,837	25.86	74.14
1925	892,094	230,581	661,513	25.84	74.16
1923	803,498	222,560	580,938	27.69	72.31
1921	734,321	212,636	521,685	36.27	63.73
1919	566,322	192,820	373,502	34.05	65.95
1914	283,589	99,542	184,047	35.10	64.90
1909	232,993	84,439	148,554	36.24	63.76

Source: Department of Commerce.

Table 1 shows total newspaper revenues and the relative contributions of advertising and circulation in various years during recent decades.

The connection between advertising and circulation revenues is close. The need for circulation in order to get advertising and to receive a profitable price for it makes it worthwhile for most publications to adopt a price policy different from that of most industries. Most daily newspapers sell their papers well below the actual cost of production. For example, it cost the *Chicago Daily News* about 7.6 cents to

produce each copy in 1943. The paper sold on the streets of Chicago for 4 cents except Saturday, when the price was 5 cents. Home delivery rates were moderately lower. From these per copy revenues, commissions of venders had to be deducted.¹⁰ Likewise, the cost of production of the *Chicago Times* was about 4.4 cents a copy and the retail price was 3 cents.¹¹ In all such cases, the loss on the sale of the product can be accepted because the difference is made up by advertising revenue.

The number of daily newspapers rose from 971 in 1880 to a peak of 2,600 in 1909. Despite moderate fluctuations, the trend has been rather persistently downward since that time. A low for the Great Depression of 1,911 was reached in 1933, and the recovery period saw the total increase only to 1,993 by the end of 1937. However, the downward trend was resumed in 1938 and the total was only 1,754 in 1943 and 1,744 in late 1944. In 1944, there was a slight increase in the number of morning papers, but this gain was more than offset in the number of evening papers.

Despite the decline in the number of papers, total circulation has risen steadily. Until the Great Depression, the increase in circulation outdistanced the growing population of the United States, but since 1929 circulation has not quite been able to keep pace. Newspaper circulation, it was demonstrated during the Great Depression and again in 1938, is quite sensitive to cyclical movements of business activity. Table 2 shows the trends in the number of papers and in circulation in recent years.

An examination of per capita circulation statistics brings out most clearly the trends in newspaper circulation and the effects of the business cycle. Per capita circulation of both

¹⁰ About 126,941,584 copies were circulated at a total cost of production of \$9,700,838.

¹¹ About 125,995,832 copies were circulated during the year and total expense was \$5,566,135.

morning and evening papers has increased substantially since the end of World War I, but morning papers have made

TABLE 2—NUMBER OF PAPERS AND AGGREGATE CIRCULATION

<i>Year</i>	<i>Number</i>	<i>Total circulation</i>
1944	1744	45,954,838
1943	1754	44,392,829
1942	1787	43,374,850
1941	1857	42,080,391
1940	1878	41,131,611
1939	1888	39,670,682
1938	1936	39,571,839
1937	1993	41,418,780
1936	1989	40,292,266
1935	1950	38,155,540
1934	1929	36,709,010
1933	1911	35,175,238
1932	1913	36,407,689
1931	1923	38,761,187
1930	1942	39,589,172
1929	1944	39,425,615
1928	1939	37,972,488
1927	1949	37,966,656
1926	2001	36,001,803
1925	2008	33,739,369
1924	2014	32,999,427
1923	2036	31,453,683
1922	2033	29,680,328
1921	2028	28,423,740
1920	2042	27,790,656
1919	2078	26,443,351
1918	2166	28,645,041

Source: *Editor and Publisher*.

relatively the better showing. This is indicated in Table 3.¹²

Whereas the short depression of 1920–21 had no apparent effect on per capita newspaper circulation, the effect of the

¹² Prepared from *Editor and Publisher* data and from yearly estimates of population.

Great Depression was marked. Per capita circulation of evening papers had not regained 1929 levels by 1943, although morning papers by 1940 regained all the ground lost during

TABLE 3—PER CAPITA NEWSPAPER CONSUMPTION

(1918 equals 100)

Year	Morning	Index morning	Evening	Index evening	All	Index all
1943	.12622	127.8	.20189	114.3	.32816	119.2
1942	.12741	129.0	.19556	110.7	.32316	117.4
1941	.12401	125.6	.19190	108.7	.31607	114.8
1940	.12198	123.5	.18934	107.2	.31089	112.9
1939	.11824	119.7	.18390	104.1	.30236	109.8
1938	.11577	117.2	.18746	106.1	.30345	110.2
1937	.12260	124.1	.19724	111.7	.31969	116.1
1936	.11916	120.7	.19437	110.0	.31337	113.8
1935	.11303	114.5	.18576	105.2	.29914	108.6
1934	.10997	111.4	.17954	101.7	.28943	105.1
1933	.10483	106.1	.17436	98.8	.27937	101.5
1932	.10951	110.9	.18128	102.6	.29073	105.6
1931	.11539	116.8	.19644	111.2	.31215	113.4
1930	.11697	118.4	.20385	115.4	.32091	116.5
1929	.11853	120.0	.20490	116.0	.32375	117.6
1928	.11624	117.7	.19915	112.8	.31561	114.6
1927	.11857	120.4	.20018	113.3	.31933	116.0
1926	.11350	114.9	.19290	109.2	.30638	111.3
1925	.10743	108.8	.18393	104.1	.29102	107.7
1924	.10837	109.7	.18081	102.4	.28929	105.1
1923	.10227	103.6	.17808	100.8	.28075	102.0
1922	.09801	99.2	.17134	97.0	.26926	97.8
1921	.09326	94.4	.16801	95.1	.26102	94.8
1920	.09193	93.1	.16803	95.1	.26005	94.4
1919	.09075	91.9	.16061	90.9	.25095	91.1
1918	.09876	100.0	.17662	100.0	.27538	100.0

the Great Depression. Interest in stock market quotations probably bolstered evening paper circulation in the late 1920's, however, whereas such interest was less marked in the 1930's.

The short, sharp recession of 1938 caused a short-lived decline in per capita circulation of both morning and evening papers.

It is interesting and significant to note that the fluctuations have become relatively more pronounced since the time of the last war.

Increase in total daily newspaper circulation from 28.6 millions in 1918 to 44.4 millions in 1943 can be explained by the increase in population of the United States and by the rise in per capita newspaper circulation. Table 4 summarizes the circulation trends since 1918.

TABLE 4—INCREASE IN NEWSPAPER CIRCULATION, PER CAPITA CIRCULATION AND POPULATION

<i>Year</i>	<i>Total circulation</i>	<i>Per capita circulation</i>	<i>Population</i>
1943	155.3	119.2	130.1
1918	100.0	100.0	100.0

Of the total increase of 15.8 millions during this period about 84 per cent can be attributed to the increase in population and 16 per cent to the rise in per capita consumption.¹³

Because of the rising total circulation of newspapers, the downward trend in the number, and a rising per capita consumption of papers, the average size of both morning and evening papers has mounted during most years of the last two decades and a half. In depression years, the upward movement has been checked and even reversed, but the increase has always been resumed as conditions became more prosperous. This is illustrated by the following table:

Statistics on the total number of newspapers published each year do not reveal entirely the decline of competition within the newspaper industry. The number of cities having only one daily newspaper has increased steadily from 353 in 1899

¹³ 130.1×28.6 equals 37.2. 37.2×119.1 equals 44.3.

to 504 in 1909 and 1,092 in 1940, due to failures or consolidations in localities with more than one paper and because many

TABLE 5—AVERAGE SIZE OF MORNING AND EVENING NEWSPAPERS

Year	Morning		Evening	
	Number	Average size	Number	Average size
1944	338	53,429	1,406	19,840
1943	333	51,285	1,421	19,222
1942	345	49,956	1,442	18,214
1941	377	43,817	1,480	17,271
1940	380	42,406	1,497	16,712
1939	383	40,535	1,505	16,044
1938	398	37,960	1,538	15,906
1937	406	39,105	1,577	16,197
1936	405	37,843	1,584	15,761
1935	390	37,011	1,560	15,206
1934	385	36,219	1,544	14,744
1933	378	34,941	1,533	14,330
1932	380	36,083	1,533	14,805
1931	384	37,351	1,539	15,866
1930	388	37,202	1,554	16,187
1929	381	37,924	1,563	15,980
1928	397	35,252	1,543	15,550
1927	411	34,418	1,538	15,488
1926	425	31,378	1,576	14,382
1925	427	29,134	1,581	13,472
1924	429	28,823	1,585	13,018
1923	426	26,937	1,610	12,409
1922	426	25,375	1,607	11,760
1921	427	23,787	1,601	11,418
1920	437	22,489	1,605	11,192
1919	457	20,891	1,621	10,423
1918	519	19,790	1,647	11,560

of the new newspapers have been established in communities in the West and Southwest which did not have daily publications. By early 1944, competition had been eliminated in

more than 1,200 of the 1,400 or more cities in which daily newspapers are published. In a number of cities where competition continues, its effects have been softened by combining mechanical and business operations while maintaining editorial competition.¹⁴ Manpower problems and rising costs kept the mortality high even in prosperous 1943.¹⁵

The problem of the smaller-sized daily newspaper became particularly difficult in the pre-World War II period. As a result of improved highway transportation, combined with rail transport, the large metropolitan newspaper, with its enormous newsgathering facilities, was able to compete with the small daily in the latter's own trade area. This competition, when schedules of transportation agencies are suitable, extends up to 500 miles from the metropolitan area.

This competition has been felt where it hurts worst—in the pocketbook. The large paper, which circulates over a wide area and which often has proportionately lower advertising rates, has been retained as a medium of national advertisers, whereas advertising schedules in recent years have tended more and more to eliminate the smaller newspaper.

The seriousness of the situation for the small paper was emphasized by the introduction into Congress by Representative Henry C. Dworshak of Idaho of a bill to require national advertisers to place a portion of their copy in smaller newspapers or lose income and excess profits tax deductions.¹⁶

Symbolic of the problems which have reduced the number of papers was the explanation for the suspension of the *South Bend* (Indiana) *News-Times* which had been published continuously for 85 years; the suspension left South Bend, at that time a city of 106,000, with only one daily newspaper. The publisher, Joseph M. Stephenson, said the paper had operated

¹⁴ *Editor and Publisher*, New York, Jan. 29, 1944, p. 28.

¹⁵ *Ibid.*

¹⁶ *Ibid.*, Jan. 22, 1944, p. 16.

at a loss since 1931 and that the volume of business in 1938 was less than half that of ten years before.¹⁷

Statistics on newspaper revenues already have been enumerated. They show that, as cited by *Editor and Publisher*, revenues failed to recover after the Great Depression to levels of 1929. On the other hand, costs of operating newspapers rose steadily after a short setback in the early 1930's. The cost of newsprint, of labor and of machinery and equipment all have advanced since about 1933.

TABLE 6—HOURS WORKED AND EARNINGS

Year	Average weekly earnings	Average weekly hours	Average hourly earnings
1941	\$39.45	35.9	\$1.070
1940	38.22	35.9	1.033
1939	37.58	36.1	1.004
1938	37.13	36.3	.987
1937	36.85	37.0	.962
1936	35.15	37.0	.922
1935	33.11	36.8	.892
1934	32.33	37.3	.845
1933	31.18	39.6	.765
1932	35.13	42.6	.776

Source: Bureau of Labor Statistics.

Since 1933, the average weekly and average hourly earnings of newspaper and periodical workers have risen steadily, whereas the average number of hours worked each week declined up to the beginning of World War II. This is indicated by Table 6, which covers the period from the lows of the Great Depression until Pearl Harbor.

The upward trend in wage rates and the downward trend in hours worked each week by mechanical employees of newspapers has been a source of concern to publishers. It is a

¹⁷ *Ibid.*, Dec. 31, 1938, p. 4.

TABLE 7—WAGE RATES PER HOUR AND HOURS PER WEEK, UNION
SCALES PRINTING TRADES—NEWSPAPERS

(1929=100)		
<i>Year</i>	<i>Wage rates</i>	<i>Hours per week</i>
1943	125.1	84.2
1942	120.1	84.2
1941	115.1	84.3
1940	113.5	84.6
1939	111.1	84.6
1938	109.8	85.3
1937	107.0	85.7
1936	103.1	86.5
1935	101.6	87.6
1934	95.8	89.1
1933	94.5	96.8
1932	101.1	97.3
1931	101.3	99.8
1930	101.0	99.8
1929	100.0	100.0
1928	98.3	100.2
1927	95.9	100.4
1926	93.1	100.7
1925	91.1	100.5
1924	89.4	100.8
1923	84.4	102.2
1922	83.5	102.4
1921	82.8	100.4
1920	76.1	100.7
1919	62.2	100.8
1918	51.6	100.6
1917	49.2	100.6
1916	48.0	100.6
1915	47.8	100.7
1914	47.5	100.8
1913	47.0	101.0
1912	46.0	101.1
1911	45.2	101.3
1910	44.6	101.3
1909	43.1	101.5
1908	41.3	101.8
1907	39.2	102.3

Source: Department of Labor, Bureau of Labor Statistics.

trend which has been persistent for many years. The sharp depression of 1920-21 failed to check the upward movement of wages or the downward movement in hours worked per week. During 1932 and 1933, some ground was lost by the mechanical employees in wages, but thereafter the lost ground was regained and their wage level pushed steadily ahead. There was no check in the decrease in hours worked per week. This is illustrated in Table 7.

TABLE 8—EMPLOYMENT AND PAYROLLS
Newspapers and Periodicals

(1923-25 = 100)

<i>Year</i>	<i>Employment</i>	<i>Payrolls</i>
1941	117.1	113.6
1940	116.2	110.2
1939	114.8	107.1
1938	113.8	104.8
1937	115.8	106.6
1936	102.9	96.8
1935	99.3	86.6
1934	98.6	85.9
1933	93.4	78.6
1932	92.9	88.6
1931	101.8	108.0
1930	109.9	119.4
1929	111.0	121.8

Source: Compiled from *Statistical Abstract*.

Bureau of Labor Statistics employment indices for newspapers and periodicals fluctuated widely during the Great Depression. During the decline from 1929 to the trough of the depression, employment receded less than payrolls as workers accepted wage cuts rather than lose their situations. On the other hand, labor for the industry was still in supply during the late 1930's with the result that payrolls rose less than employment. The movement of the indices until the beginning of World War II is indicated in Table 8.

While newsprint prices in the 1930's were substantially under the prices during the 1920's, publishers found that paper prices tended to be resistant to declines in early stages of periods of receding business activity. The basic price was the same in 1930 as in 1929, and only moderately lower in 1931. In 1938, a year of depression, the average price actually was higher than in 1937, a year of prosperity. On the other hand, prices tended to advance as business conditions improved.

Towards the end of the 1930's prices became less flexible and often remained unchanged for long periods, notwithstanding changes in business conditions. During the tremendous boom in advertising during 1919 and 1920, prices rose to spectacular levels compared with previous and subsequent years. Table 9 indicates the movement of average annual prices since 1910.

Of the advertising received by a newspaper, the bulk comes from local sources. Table 10 shows the total advertising, the national (the amount coming from outside the city where the paper is published) and the local advertising, including classified.

As Table 10 indicates, expenditures for both national and local advertising in newspapers increased in a spectacular fashion until 1929, and then receded sharply during the early depression years. In these years, national advertising increased faster than local advertising. The fall of each was meteoric from 1929 to 1933. Neither had recovered even to 1931 levels by 1943 despite the high tempo of business in that lush war year. Recovery from depression lows of 1933 was particularly sluggish in regard to national advertising as the dollars of national advertisers that formerly went to newspapers were detoured to other media. Local advertising appeared to be slightly less sensitive to cyclical factors than

TABLE 9—NEWSPRINT PRICES

(Rolls, Contracts, Car Lots, f.o.b. Mill)
(Unit: Cents per pound)

<i>Year</i>	<i>Price</i>
1943	2.73
1942	2.50
1941	2.50
1940	2.50
1939	2.50
1938	2.50
1937	2.13
1936	2.05
1935	2.01
1934	2.00
1933	2.07
1932	2.55
1931	2.93
1930	3.10
1929	3.10
1928	3.25
1927	3.25
1926	3.45
1925	3.70
1924	3.83
1923	3.89
1922	3.67
1921	5.12
1920	6.00
1919	3.88
1918	3.40
1917	3.34
1916	2.52
1915	2.06
1914	1.99
1913	2.00
1912	2.12
1911	2.12
1910	2.06

Source: *Paper Trade Journal*.

national. On two occasions, 1920-22 and 1926-27, gains in local cancelled out declines in national advertising.

TABLE 10—ADVERTISING EXPENDITURES, 1915-1943

(Figures in millions)

<i>Year</i>	<i>National</i>	<i>Local</i>	<i>Total</i>	<i>% local</i>
1943	\$180	\$419	\$599	70
1942	143	408	551	74
1941	162	425	587	72
1940	161	408	569	72
1939	152	400	552	72
1938	148	396	544	73
1937	191	439	630	70
1936	188	422	610	70
1935	167	383	550	70
1934	163	358	521	69
1933	145	325	470	69
1932	160	360	520	69
1931	205	450	655	69
1930	230	500	730	68
1929	260	600	860	70
1928	235	575	810	71
1927	225	550	775	71
1926	235	540	775	70
1925	220	525	745	70
1924	200	500	700	71
1923	205	505	710	71
1922	200	500	700	71
1921	180	470	650	72
1920	200	450	650	69
1919	150	350	500	70
1918	90	360	450	80
1917	80	320	400	80
1916	75	300	375	80
1915	55	220	275	80

Source: Bureau of Advertising, American Newspaper Publishers Association.

Table 11 shows by index numbers the expenditures for the two categories of advertising:

The poor recovery record of newspapers, both absolutely and comparatively, by the end of the 1930's is indicated by

TABLE 11—EXPENDITURES FOR NATIONAL AND LOCAL ADVERTISING,
1915-1943

Year	(1915 equals 100)		
	National	Local	Total
1915	100	100	100
1916	136	136	136
1917	148	146	146
1918	165	164	164
1919	273	159	182
1920	364	204	237
1921	328	214	237
1922	364	228	259
1923	374	230	262
1924	364	228	259
1925	400	239	271
1926	427	246	282
1927	408	250	282
1928	427	262	295
1929	474	272	312
1930	418	228	265
1931	372	204	238
1932	291	164	188
1933	264	148	172
1934	296	163	189
1935	303	173	200
1936	342	192	222
1937	347	199	229
1938	269	180	198
1939	276	182	202
1940	293	185	207
1941	293	193	214
1942	263	185	200
1943	327	190	218

the following comparison in Table 12 of national advertising expenditures in 1932 and 1939.

III

As is OFTEN THE CASE in studying an industry over a period of time, the picture is confused by alternate periods of prosperity and depression and by the experiences of individual units whose records stand in sharp contrast to those of the industry as a whole.

In this regard, the newspaper industry is a case in point. A few newspapers made headway during the depression years and were able to finish the 1930's stronger financially and with a higher return on invested capital than in 1929. Their

TABLE 12—NATIONAL ADVERTISING EXPENDITURES

	1932		1939	
	Aggregate	Per cent	Aggregate	Per cent
Newspapers	\$160,000,000	46.4	\$150,000,000	32.1
Magazines	115,000,000	33.3	142,000,000	30.0
Broadcasting	39,000,000	11.3	125,000,000	26.4
Car Cards	4,000,000	1.2	2,700,000	0.5
Farm Journals	16,000,000	3.4

Source: Bureau of Advertising, American Newspaper Publishers Association, 1932 data from p. 27, "Newspaper Advertising" published by the Bureau in 1933, and 1939 figures from "The Newspaper as an Advertising Medium," 1942, p. 74.

wealth and influence became legendary while the industry as a whole was making no progress. Even in 1944, with all the problems of wartime publishing, the earnings of some papers before federal taxes were astonishing. During the height of the wartime prosperity, the earnings of the industry, certainly before federal taxes, appeared to be satisfactory.

There is little doubt, however, that the problems which the industry must meet in the postwar period are enormous, especially after the advertising boom of the immediate postwar period subsides. Competition from other media of communication, such as standard radio, frequency modulation, television, facsimile, the news magazines, and the picture

magazines, will increase. This is especially true of radio in its various ramifications.

Costs of publishing probably will continue to rise in continuation of a trend, which this study has indicated, has been on the upgrade for a long time. For example, the powerful American Newspaper Guild has given little indication in recent months that it will urge publishers to reduce wages in the immediate postwar period so they may be better equipped to meet the problems which are to come. Moreover, nothing has been heard along this line from the even more powerful mechanical brotherhoods. No word has come from the paper companies of Canada and the United States that they plan to reduce the cost of newsprint to help publishers meet competition from radio, which requires no newsprint to reach its audience.

In short, there is no assurance that the long decline in the number of newspapers has ended although the opportunities for advertising appear to be promising for a few years after the war and temporarily may attract new units into the industry. The real test will come in the first major depression after the war and in the years immediately thereafter.

The question naturally arises: what is to be done about it?

The only persons who can and should do anything about the problems facing the newspaper industry are the publishers themselves. Certainly, the industry wants and should have no subsidy or assistance of any kind from government. Newspapers can serve the public interest only when they are free from government control or subsidy.

Fortunately for the American public, most newspaper publishers are highly alert and intelligent. Many of the unfit units have been eliminated from the industry in recent years. Moreover, many publishers are wealthy enough to meet the problems of the years ahead. Some have been spending

important sums on research designed to improve reader interest and to produce the newspaper more economically. For those units of sufficient size to use it, important cost-reducing equipment apparently will be available in the post-war period. The importance of good public relations within the community where the paper is published has been sensed by more and more publishers.

Various associations of newspaper publishers also have acted aggressively to solve the problems of the industry. For example, the progressive American Newspaper Publishers Association late in 1944 raised the annual budget of the Bureau of Advertising, which promotes newspapers as an advertising medium, from \$400,000 to \$1,000,000. Also, the same association recently allocated \$175,000 for a five-year research program on the mechanical problems of newspaper publishing. The Continuing Study of Newspaper Readership, under auspices of the ANPA, has given publishers a clearer insight into reader interest in both the news and advertising columns.

The American public likes the excellent service it gets without cost from the radio industry. The large circulations of *Time* and *Newsweek* testify to the interest in the news magazines. However, the public also likes its newspapers; it has a vested interest in their success. The public will best be served by those publishers who keep their units strong by meeting the problems faced by the industry.

*Medill School of Journalism,
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In Memoriam: Thomas F. Woodlock

THOMAS F. WOODLOCK, who died on Aug. 25, 1945, at the age of 78, was one of the first to welcome our effort to achieve practical synthesis in the social sciences and thereafter he took active part in this JOURNAL. We shall miss him sorely. A vignette of our valued collaborator and good friend was given by an editor of *The New York Times* on Aug. 27:

"Thomas F. Woodlock was one of the leading financial writers of this country, and he had held that position for half a century. It was in 1895 when, as a youth of 28, he published "The Anatomy of a Railroad Report," a book which remained for several decades the standard work in its field. For financial writing one could hardly have had a more rounded equipment than Thomas Woodlock's. He had served as financial reporter and editor; he had been in business as a broker both in London and in New York, and he came to know economic problems from the Government end in the years he spent as a member of the Interstate Commerce Commission. This wide-ranging experience was reflected in the rich background and ripe wisdom of his column in *The Wall Street Journal*, "Thinking It Over," which he maintained till his last week.

"But it would be narrow and unjust to think of Thomas Woodlock solely, or even mainly, as a financial writer. He had long been recognized in this country as one of its leading Catholic laymen. In 1942, in fact, when his last book, "The Catholic Pattern," was published, the University of Notre Dame awarded him the Laetare Medal as the outstanding Catholic layman of that year. And he did not keep his religious and his economic belief, as so many of us do, in separate compartments sealed off from each other. On the contrary, both in his writings and in his conversation on economic and political subjects he would unashamedly begin with a religious or a moral premise, and base his conclusions on it.

"Those who were privileged to know him were unfailingly impressed by the depth, solidity and range of his culture. He might illustrate a point in economics by quoting some thirteenth-century Pope, or some scrap of wisdom from an obscure figure in the eighteenth century. He retained to the last his intellectual resilience and curiosity. Perhaps most striking of all was the sense he gave his listeners (certainly without any conscious effort on his part to give it) of rare moral stature."

W.L.

Prepaid Group Medical Care

By T. SWANN HARDING

THERE HAS BEEN urgent necessity for some time for us to carry on a variety of experiments in the effort to evolve plans for better medical care. Had we had medical associations as progressive socially and economically as they were scientifically, they would have spearheaded these experiments. Unfortunately our leading medical society has long been under the guidance of a reactionary group of doctor-politicians who were little short of social and economic illiterates. Far from experimenting scientifically with better methods for providing medical care, they fought the new venomously and stood pat on the Civil War set-up of medical organization.

To be sure certain liberal physicians and progressive laymen constantly sniped at the medical societies in the endeavor to foster experiments in group medical care, if possible at prepaid monthly or annual rates. Industrialists and farmers, who faced actual difficult situations, and could not be bothered too greatly by mere ideologies, proceeded to take action. As a result many interesting urban and rural experiments are under way. The reactionary medical politicians have often fought these desperately, but they have continued nevertheless. In one instance where the medical associations extended their hostility over into the precincts of actual crime, the Department of Justice and the courts, including the Supreme Court, brought charges, tried, and convicted them. This had a chastening effect all down the line.

I

ODDLY ENOUGH this spectacular legal action concerned the Group Health Association, Inc., of Washington, D. C., which,

to speak frankly, never has been half so successful as local physicians cravenly feared it would be. Undertaken originally as a result of a government grant by a Federal agency which wanted to cut absences due to illness by providing good medical care economically for its employees, it had a checkered career.

The final upshot has been an organization which has found it difficult to keep in the black and has accomplished this only by continually increasing dues and adding "extra" charges, or by restricting services. It never has had enough members to enable it to operate economically. Today its members pay from a third to a half what they would pay anyway for a difficult major surgical operation, involving a month or six weeks' hospitalization, over and above their regular dues.

Even these dues are high in proportion to those for which excellent and much broader service is provided by many other urban and farm set-ups. But this group was started in a city where the average income of the middle-class is high, and where middle-class prejudice against new and unusual methods of accomplishing results more efficiently is greater than normal. It was also started with dues much too low and after too little survey of the situation it would probably face, or of morbidity rates among its potential membership.

In spite of these factors doctors cowered in such fear of GHA that they violated the law seeking to injure it. But immediately when indictment loomed for its criminal acts, the local medical association receded by seeking no longer to prevent GHA's doctors using local hospitals or joining their local medical societies.

II

OUTSTANDING IN RECENT EXPERIMENTS has been the Henry J. Kaiser health plan for employees of his Richmond Shipyards, and his Permanente Foundation hospitals. In this in-

stance a prominent industrialist, who believed in action, confronted a situation wherein he had to hire such workers as he could get, regardless of minor physical disabilities. Medical and hospital facilities were wholly inadequate for them, and he simply could not afford to have high illness rates interrupting wartime production.

What should he do? Prepaid insurance indemnity-health plans provided only limited service at best. Blue Cross plans gave only limited hospital care and were too much dominated by conservative physicians. Group plans evolved by medical societies started with comprehensive coverage, reverted to limitations, were not supported by doctors to any great degree, created no new facilities, did not raise the standards of medical care, were too expensive, and neglected preventive medicine.

What was required? There must be equipment and facilities, organization, and a functional medical set-up based on prepayment, group practice, and adequate coverage. Medical groups in private practice are uniformly wasteful of talent and of equipment. They are poorly located and inefficient in operation, as they unnecessarily duplicate services. Existing hospitals, clinics, and medical offices do not have streamlined facilities tailored to actual community needs.

All medical facilities should be combined under one roof—laboratories, general practitioners, specialists, surgeons, nurses, research, and specialists in preventive medicine. Preventive medicine should always go hand-in-hand with therapy and research. Free choice of physicians is unscientific and unwise, because laymen cannot choose or assay doctors intelligently; only the medically trained can do this. There should be strategically located health centers.

Then what was done? Kaiser put up \$700,000 to build and equip hospitals. He hired physicians on salary at from

\$4,800 to \$14,000 a year. He hired nurses on salaries of from \$150 to \$200 a month. He aimed to provide comprehensive health coverage for a large group of workers, hired during manpower shortage, who were distinctly below par physically. Remember in this connection that in 1941 doctors in the United States averaged \$3,912 net income a year, and they lacked paid vacations, sick leave, sabbatical years, and minor time off which are provided salaried workers.

Kaiser had tried to provide care by fee-for-service plans. This failed. Either patients could not pay or proper service was not provided. So his Permanente Foundation Hospital started March 1, 1942, with six physicians and six nurses, in Oakland, Calif. By the end of February, 1944, it was serving 90,000 workers, had 62 doctors, 241 nurses, 324 miscellaneous employees, 209 beds, and a 100-bed addition was being constructed. Moreover, \$500,000 of the original \$700,000 indebtedness had been paid off—and the workers put up 50 cents a week each for their medical care!

What did they get? Complete medical coverage, with limitations so insignificant they can be disregarded. Naturally, chronic illnesses, if they began within a year before joining the plan, dentistry, epidemic diseases, artificial limbs, insanity, and artificial eyes not included. The worker's weekly contribution was taken from his pay if he desired, but he could terminate the service instantly any time he wished.

III

THIS PLAN, though it has had a lot of attention, is in no sense unique. The Endicott-Johnson shoe company spends from \$700,000 to \$1,000,000 a year on complete medical coverage of its employees and their dependents, about 50,000 people in all, and charges this up to costs of operation. Here is a hard-headed business concern which requires its employees to

contribute nothing towards their medical care. The reactionary medical politicians could say it pauperized its workers while it bankrupted itself. Actually it does neither.

Very many of us are somehow reluctant to go to doctors and to pay doctor's bills. That is at least in part because the medical service available to us is so clumsily and inefficiently organized that charges must be exorbitant if doctors are to live at all. So in 1918 George F. Johnson, finding that the workers in his factories were too burdened with medical debts and ill-health, decided the firm should provide them with medical coverage gratis.

The company has a simple, functional set-up designed to carry out its specific purposes. It gives a reasonably complete, medical coverage of high quality, with some choice of physicians—hospitalization, medicines, laboratory, X-ray—limited only by the necessities of the case. For a very short while, 1931–33, a 5 per cent payroll deduction was made to finance the annual operating costs, but this proved unsatisfactory and was discontinued.

Children, husbands, and wives of workers are included in the plan, if not gainfully employed. There are three medical centers with half a dozen or so physicians in each. These have scheduled office hours and also make house calls. There are such specialists among them as are required. Each center also has a dental department, there being six dentists and four dental hygienists in all. Dental work includes cleanings, fillings, and extractions, but neither dentures nor inlays.

The average cost of this Endicott-Johnson plan has been \$48 per worker and dependents, an average of three persons, or \$16 per individual. Costs rose with wartime but were still paid by the company. They were \$19 per person in 1942 and \$21 in 1943. But for a plan that includes dentistry that is cheap.

IV

LITTLE EXPERIMENTATION has been done to see what it does cost per individual to maintain dental health. However, Dental Health Service of New York City has for years provided first-class dental care for patients who could afford to pay costs only. Its 485 clients required an average of 2.5 extractions, 7.5 fillings, 1.8 prophylactic treatments, and 1 full-mouth X-ray at the start. Four needed full dentures, half needed partial dentures, others crowns and bridges.

Atonement for this long dental neglect required an average of 9.4 hours in the dentist's chair per patient, at an average cost of \$55.23, as compared with the \$71 the work would have cost outside. But maintenance was cheap after that. It would have required an average of only 3.6 chair hours per year costing \$13.26 per patient, but actually the members put in only 2.4 chair hours at an annual cost of average \$10.05. So some dental neglect continued.

It has been estimated that it would take a billion dollars to fix up all the dental cripples and indigents in the United States. To give them adequate care continuously would require many more dentists than we now have. But maintenance of good dental health after the initial fixing up would be relatively moderate in cost. Few medical-coverage plans include dentistry, however.

V

THE STANOCOLA MEDICAL PLAN (Standard Oil Company of Louisiana) is organized, owned, operated, and supported by employees. It supplies necessary medical, hospital, and nursing care to employees and their families, though membership is voluntary. It hires a salaried full-time medical staff. The company makes payroll deductions and it has also made large donations to the plan for the construction and equipment of clinic buildings. Dues are \$2 a month per member, plus

assessments, which bring this up to about \$3.50 a month, or \$42 a year.

From 80 to 90 per cent of the company's employees have joined. All told, 18,000 persons are eligible for service under this plan. The medical staff is better compensated than it would be in private practice. Doctors also serve regular hours, get a day off a week, and an annual vacation with pay. Naturally such efficient plans are better for physicians as well as for patients.

In Binghamton, New York, considerable of this sort of thing goes on. Dr. M. S. Bloom is himself medical director of six organizations for medical care covering 5,000 employees of six small industries and 2,000 of their dependents. The actual coverage and cost of the service varies. Sometimes the company merely sponsors the organization; others contribute dollar for dollar; others pay all costs. Some of the plans give complete medical, hospital, and dental coverage. There are minor limitations to all of the plans, but they are in general quite complete.

The firm of Dunn & McCarthy contributes dollar for dollar to its employee's Mutual Benefit Association, and the plan includes some dentistry. The average cost per individual is about \$18.50 a year and there is an annual limit to service rendered of \$350 in any one year. Members pay dues in accord with their earnings. The former run from 15 to 25 cents weekly, with 10 cents extra per dependent.

Spaulding Bakeries' plan involves free choice of the physician. The average annual cost for its coverage runs \$20.15 in five plants. The company contributes on a 50:50 basis. The Agfa Ansco Corporation (General Aniline and Film Corp.) organized a mutual benefit association, the company later contributing 50 cents to the worker's \$1. The Ozalid Products Division later incorporated into the Ansco associa-

tion. Annual average costs for medical coverage have run \$18.25 per individual, over a period of eleven years. Workers now pay \$1.25 a month, the company pays 75 cents.

Each of the six companies has its own plan. One company simply pays all costs and charges this up to operating expenditures. There are variations, of course, in monetary and other limitations of the treatment given, but coverage is good in all the plans. The plans are equally acceptable to patients and to physicians, and could readily be adopted by other industries.

VI

TWO TYPES OF RURAL health aid deserve mention here. One is fostered by the Farm Security Administration, which originally set up group health plans for its clients. A small sum was added to the loan, and later paid off by the client, to provide group medical care for a year in advance. FSA worked with local physicians, hospitals, and dentists who operated on a fee-for-service basis.

Later FSA and the Department of Agriculture's Inter-bureau Committee on Post-War Programs tried county-wide experiments in seven counties in Arkansas, Georgia, Texas, Mississippi, and New Mexico. The county-wide plans were usually run somewhat like the smaller projects, but were gradually extended to all rural people, whether they had FSA loans or not. Later still, nonrural people, in these counties, requested coverage and in some cases got it. Doctors and dentists generally co-operated gladly, as they were then paid for work which they had formerly not done at all or else had done gratis.

Outstanding is the Co-operative Health Association of Taos County, New Mexico. This Farm Security Administration-sponsored group health plan sprang originally from the so-called Taos planning project instituted by the Extension Division of the University of New Mexico. Its benefits were

extended to all inhabitants of Taos county, as all are essentially rural, and 96 per cent of them are Spanish-Americans, normally undersized, frequently in ill-health, and poorly fed, yet under a constant oxygen debt at these high altitudes.

Formerly all the county's medical talent was concentrated in Taos village. The county's infant mortality rate was the highest in the nation, while respiratory conditions and diseases associated with filth and poor water supply abounded. The average annual cash income for the entire county is about \$307 per family of $5\frac{1}{2}$, two-thirds of them coming in at \$250 a year or less. Naturally the purchase of far-distant medical care was quite beyond the means of these people if arrived at by the customary process.

FSA had already been setting up small group medical plans, with the co-operation of local physicians, when it conceived the idea of putting sufficient funds into the county project to enable Taos to have an over-all group medical and dental set-up. The health association operates around three well-equipped clinics and two subclinics, and has a staff which works entirely on salary—physicians, nurses, dentists, and lay assistants. The plan now attends the health and dental needs of more than six thousand people out of the county's war-time population of 14,000.

The current budget of the plan is \$72,500 of which an FSA grant comprises \$50,000. As FSA improves the health and economic status of these people they can pay a greater and greater proportion of the total cost, but it will probably be a long time before they can finance it entirely. Originally they paid only 5 or 6 per cent of the cost. To render such service at from \$12 to \$14 a person, including medical care, nursing, hospitalization, transportation in ambulances, dentistry and all, is very economical.

As much work as possible is done by the busy staff in the fields of lay health education, preventive medicine, and im-

proved nutrition. It is hoped that a full-time public-health physician can soon be employed. The development of a special sanitation project is also contemplated and is seriously needed as uncontaminated water supply is a rarity in the county.

The main thing is that plans can thus be evolved which are satisfactory to both nurses and doctors. Annual dues are low. The cost of service can be made to run from \$10 to \$14 per person per year, and the professional staff, whether salaried or working on fee, is better off economically than without the plan. Patterns are being evolved which can be applied elsewhere. It is to be hoped these experiments do not terminate prematurely.

VII

THE OTHER TYPE of rural health plan to be mentioned was made available to domestic and foreign seasonal farm workers who are recruited, transported, housed, or placed by the War Food Administration or a co-operating agency. The Government flatly paid all costs of this service, the staffs being salaried. General practitioner care in clinics, homes, or hospitals; surgery, and specialist's services; maternity care; hospitalization in wards at the doctor's discretion; and dental prophylaxis, extractions, and fillings were included.

There were as many of these agricultural workers' health associations as were needed. The Government took no chances here, especially when dealing with workers imported into the United States for seasonal farm jobs. It soon found that the health of these workers must be attended regularly and scientifically if their morale and work capacity were to be maintained and if absenteeism was to be controlled. Clinics were set up at strategically located farm labor centers.

It is significant that all these things have been done despite our reactionary medical societies. Fortunately, local phy-

sicians usually co-operate fully and freely in such plans, because they know where their own good and the good of the community lie. The medical politicians who run their societies may ferment in indignation, but the general practitioner in the country, the village, the town, and even the city is moved by the force of events.

He believes practically in socialized medicine, *i.e.*, the process of making the science of medicine as useful socially as possible. He is not scared by smearwords and opprobrious phrases. He faces facts like a realist and does what seems best. So do many progressive industrialists, like those at the head of the American Cast Iron Pipe Co., of Birmingham, John Wanamaker, Inc., of Philadelphia, who simply step in, provide complete medical care for their employees, and charge this up to operating costs.

VIII

EXCLUDING THE FARM SECURITY Administration plans and those set up for students by colleges and universities, as well as commercial insurance and industrial plans, and plans providing hospital care only, there are well over two hundred prepayment medical care organizations operating in the United States today. From 4 to 5 million people, say 5 per cent of our non-institutional civilian population, have some degree of protection against unexpected medical costs through membership in prepayment medical-care organizations.

Industrial plans cover most of these—43 per cent; medical-society plans account for 28 per cent; private group clinics, 15; governmental plans, 7; and consumer-sponsored plans, 5 per cent. A smaller percentage of citizens is so covered in New England than elsewhere in the country, and the largest percentage coverage is on the West Coast. Over 32,000 physicians participate in such plans, full-time or part-time.

Of these, between eight and nine hundred are employed on a full-time salaried basis. The organizations also employ

nearly twenty-two hundred graduate nurses on a full-time salaried basis. All the prepayment plans have some membership restrictions, but the poorest of the lot is better than dependence on private practice, unless one relishes paying too much for what is quite likely to be below-standard service. Standards are undoubtedly higher in medical groups, because working with colleagues under supervision soon exposes medical incompetence.

Businessmen and industrialists have uniformly proven more willing to assume their financial part in establishing such systems than have physicians or medical societies to participate. Because rural medical care was so much below par and so ill-distributed, the Government has often had to step in and take action, though there are a number of flourishing consumer-sponsored rural plans. In any case, group practice gives better medical care more economically and more efficiently than private practice possibly can.

It is unfortunate that the medical profession, as represented in its leading associations, did not supply intelligent, progressive leadership here. Naturally it could not do so while restrained under the dominance of reactionary medical politicians who were on the borderline of economic illiteracy. However, potential patients themselves, farsighted laymen, realistic industrialists and fact-facing local practitioners have nobly done their share. A better day is dawning. Good medical care is gradually becoming universally available.

IX

INFORMATIVE READING in this connection is the Interim Report from the Subcommittee on Wartime Health and Education to the Senate Committee on Education and Labor, 78th Congress, 2nd Session, issued January, 1945. Objective, scientific in approach, impartial, and informative, it well

repays careful scrutiny. Claude Pepper is chairman of this subcommittee.

The report first presents the 4½ million 4-F's and statistics on rehabilitation of rejectees. The mere fact that 8 or 9 million of the 22 million men we had of military age were unfit for general military duty was evidence enough that, whether we had the finest medical organization in the world or not, it was not fine enough. Other subjects treated are the enormous job of rehabilitating rejectees—requiring 53 million dental sittings alone, the fact that the health of the civilian population is below what it should be, and the adverse effects of this largely preventable ill-health on war production.

Convincing evidence is thus presented that we need improved preventive services and facilities; better water supplies, sewerage, and rural sanitation; improved child care. For such advances as we have made in health during the past generation have been attributable rather to public health agencies—Federal, State, and Local—than to our general practitioners and specialists, prevented as they were from doing their best work by an archaic and uneconomical medical organization.

Such doctors as we had before the war were ill-distributed; the same may be said for medical facilities. Whereas the general ratio of hospital beds was 3.4 per 1,000 of population, the ratio in Alabama and Mississippi was but half that. Many of our counties had poor hospitals or none at all. Such hospitals as existed were often unavailable to many potential patients because of racial, legal, or economic barriers. Counties with an annual per capita income of more than \$600 had 8 times as many physicians in proportion to population as did those with per capita incomes of less than \$100.

Physicians chose their locations primarily on a basis of average incomes, secondarily to be near the hospitals and other

medical facilities to which they had become accustomed as interns and students. The number of doctors in many impoverished rural areas dropped steadily from 1914 to 1940. Yet the money we spent on partial medical care by this cumbersome, ill-balanced organization of personnel and facilities would, if used scientifically, provide complete medical care for all inhabitants of the United States all the time.

The Pepper report therefore proposes a scientifically planned network of medical facilities all properly staffed, starting out with big base hospitals, which would also be teaching and research institutions, and working down through health and medical education centers to local medical centers. In all cases these hospitals and health centers would be located on a basis of need. Therapeutic medicine, medical research, preventive medicine, medical education, and dentistry would all be combined. The entire structure of medical science could be brought to bear on individuals and situations as a unified machine.

The proposals made in this report are sound and logical. Their adoption would result in huge savings because duplicating equipment and ill-managed, uneconomical charity work would be eliminated. The set-up proposed could be financed in part federally, in part by the states or locally, and in part privately. Ordinary practitioner, hospital, and specialist care could be reserved on a shop-around fee basis for those wealthy enough to afford luxuries of such dubious value. We should never again permit ourselves to be handicapped by ill-health as we were in the recent wartime emergency.*

Falls Church, Va.

* Although the writer is a member of the staff of the U. S. Department of Agriculture, this article is an expression of personal, not official, opinion.

Agrarian Reform in Greece

By KIMON A. DOUKAS

OCCUPYING THE SOUTHEASTERNMOST part of Europe, the Greek people have for almost two thousand years lived under three oppressive yokes—one, of their own making, the other two imposed by alien rulers.

First, the Eastern Empire, ruling from the ancient capital of Byzantium or Constantinople, renamed Istanbul by the Turks, governed Greece for more than a thousand years (330–1456), with short intermittent incursions by Slavonic tribes (581 and 929), raids by Sicilians (1084 and 1146) and Venetians (1122), an invasion by Frankish barons (1204) and a conquest by Tsar Dushan of Serbia (1349).

With the last of the Byzantines, Emperor Constantine Palaeologue, crushed by the Osmanlis of the East, Greece was in turn subjugated by the alien rule of the Ottoman Empire, which lasted from 1456, three years after the seizure of Constantinople, until 1821, when the Greeks launched their successful but bloody war of independence. Finally, in April, 1941, Greece went down to defeat under the hammer blows of the Axis powers, which proceeded to establish over her people the third and most oppressive rule of all.

The Period of 1820–30

AT THE TURN of the nineteenth century and just before the war of independence broke out, few inhabitants of Greece could by contemporary standards be considered as comprising an upper class; they were neither small landowners nor tenants. Roughly divided into four classes, they comprised absentee landlords, merchants, traders and mariners, often being all four at once. Roaming the seas in their wooden craft in search of trade and commerce, they kept in touch

with the outside world and thus prepared for the day when they would be free again. As compared to those living in Greece, these perennial voyagers were by and large more prosperous. In addition to their lucrative trade, they were less frequently and less heavily subjected to the edicts of the Ottoman administration, which exacted from those who stayed in Greece heavy land taxes and insisted on share-cropping and imposed other oppressive restrictions; their sojourns abroad kept these Greeks beyond the reach of their tormentors.

When the War of Independence against the decadent Ottoman Empire was finally concluded in 1829, and Capodistrias was elected President of the new Greek Republic, there remained out of the ravages of the war 116 cities with a total population of 200,000; and 2,150 villages with a total population of 400,000. Including the islands, the total population of Greece aggregated about 750,000 as compared to the one million inhabitants of 1821. Of this war-torn remnant, not less than 70 per cent were peasants and farmers; for the most part, they eked out a bare subsistence from small and not-so-fertile parcels of land.

Most of the territory recognized as Free Greece was completely ruined by continuous warfare. It hardly comprised more than six and a half million stremmata (one stremma = .2471 acre) of arable land, of which one-half consisted of private farms and the other half of national lands. What was most significant, land taxation was heavy, while land operation was primitive. The former was a survival of the Turkish policy underlined by a desire to exact the lion's share of the land produce; the latter was the inevitable consequence of stringent rules of credit rendering difficult, if not impossible, the importation of adequate implements.

In an effort to help his destitute peasantry, who had suffered the most complete ruin from the war, Governor

Capodistrias was farsighted enough to introduce a number of measures. He made land-grants to communities; he brought from Ireland one Stevenson to supervise the growing of potatoes; he encouraged silk production; he imported from Belgium and Switzerland a large quantity of plows; and he founded the first agricultural school of Tirynth at Nauplia (1829-70). Yet, when King Othon succeeded him in 1833, there were still more than half a million Greek peasants who were landless and who possessed no implements to work the soil except their bare hands. Lack of foresight and the absence of any program perpetuated this unhappy situation for almost one hundred years; an agrarian policy was not adopted until the beginning of our century.

This span of more than one hundred years of Greek independence and the attendant evolution of agrarianism in Greece may conveniently be divided into four periods: namely, one, from 1830 to the ascendancy of Trikoupis in 1880; two, from 1880 to the army *coup d'état* in 1909; three, from 1909 to the establishment of the Ministry of Agriculture in 1917; and four, from 1917 to the Axis war of 1940-41.¹

The Period of 1830-80

DURING THESE FIFTY YEARS, Greece and her people were dominated by a political romanticism which completely absorbed the energies of the many governments that came and went in rapid succession with little time or thought for any consistent agrarian program.

This political romanticism was initiated by the First Monarchy of Greece under King Othon. Sentimentally attached to a foreign policy inspired by the "Great Idea" of incorporating into the young but ambitious nation large tracts of former national territory and thus freeing from bondage all

¹ A. D. Sideris, "The Agrarian Policy of Greece During the Past Hundred Years," Athens, 1934 (in Greek), pp. 7-11, and *passim* for subsequent statements.

irredenta Greeks who still remained under the Turkish yoke, the government was in the hands of petty politicians who stubbornly persisted in wasting the limited resources of their country in endless squabbles among themselves. Being politically immature and none too scrupulous, these ephemeral statesmen little cared for constructive policies which would advance their nation's interests; they were occupied with plans by which they sought to solidify their own power.

To make matters worse, the so-called Protecting Powers, namely England, France and Russia, which had contributed to the ultimate victory of the Greek people over the Sultans of the Ottoman Empire, considered it their duty to guide the young nation in its first years of statehood; they let no opportunity slip by without actively interfering with the internal affairs of their newly-found "protégés." It is characteristic of this period that the three principal political parties of Greece, ever jockeying for a dominant position, had come to be known by the sobriquets of the English party, the French party, and the Russian party; the leaders of these parties made no major decision and planned no major campaign without first consulting the British, the French or the Russian Minister at Athens.

As a result, no government during this period showed any real interest in, or even made any attempt toward, introducing a truly national economic program. Particularly in agriculture, public policies were either experimental or temporizing, and this situation prevailed at a time when agrarian problems cried out for solution and rural populations demanded land to cultivate. The former were met with half measures; the latter had to be satisfied with empty promises.

The method of distributing national lands, for example, was underscored by favoritism and fraud. Instead of parceling directly to the landless peasantry whatever arable land there was, the government carried out a senseless policy of

disposing of great tracts of national land to the highest bidders. These were invariably wealthy city people who had the money but not the skill or the desire to operate their newly-acquired lands themselves; they conveniently employed tenants to do the job for them. This policy gave rise to a wide absentee ownership, which was fatal to the lands themselves as well as to the economy of the nation as a whole.

The Period of 1880-1909

THE ENSUING PERIOD of 30 years was dominated by the strong personality of Charilaos Trikoupis, one of the ablest statesmen of modern Greece. In and out of power for almost a quarter of a century (1875-95), Trikoupis consistently supported a policy of realism in lieu of the defunct romanticism in the conduct of foreign affairs, and strove valiantly to weed out graft and nepotism in the conduct of internal affairs through an enlightened and progressive administration. He was courageous, farsighted and highly trained. But even he failed to provide a healthy agrarian policy, which might have alleviated the desperate conditions of those who lived on the land and might have raised the excessively low standard of living of all his people.

Trikoupis' general blueprint pointed in another direction. He was primarily interested in the urbanization of the country, the expansion of industry and commerce, and the development of adequate means of communication. He was especially concerned with the mountainous terrain of Greece, which caused entire districts to remain for long stretches of time, particularly in winter, completely isolated because of inadequate roads, of washed-out wooden bridges and of limited telegraph and telephone connections.

To make matters worse, both his political adversaries, Th. Deliyannis and G. Theotokis (the latter falling heir to Trikoupis' party), were narrow-minded politicians, more in-

terested in perpetuating their own power than in initiating and prosecuting constructive and courageous policies, especially for people who had newly been freed from a long alien rule. Deliyannis was obsessed by a chauvinistic economic mindedness, which burdened the state budget with armament appropriations, incurred an adverse trade balance and resulted in excessive borrowings abroad at high rates of interest; Theotokis was distinguished for his economic dilettantism, which dared not commit the State to any new venture and could hardly cope with the increasing complexities of public administration. No wonder, then, that neither proved of any real help to the inhabitants of small towns and villages, who ultimately were compelled to solve their problems by the ready expedients either of fleeing to the few large cities of Greece or of emigrating to the New World.

The situation was further aggravated by the fact that country people enjoyed little protection and security against thieves and outlaws; peasants owning nothing but their small lands could secure no credit unless willing to pay exorbitant interest rates to private lenders; and outlying communities, entirely abandoned to their fate, wallowed in primitive conditions and lacked even elementary schools for the education of their children.

Under these circumstances, rural towns and villages remained disunited and unrepresented in both the national parliament and the local assemblies, while their general and special problems were left to rot in the traditional Greek calends. Of these, the deterioration of agriculture in Thessaly of northern Greece, the crisis of the wine industry in Peloponnesus of southern Greece, and the accumulation of surplus farm produce for lack of markets locally or abroad, precipitated a political instability harmful to agriculture in particular and adverse to Greece's economic interests as a whole.

One worthy project of this period was the establishment in 1901 of the Greek Agricultural Society, for the purpose of improving technical services and developing agriculture in general. Subsidized by the treasury, the Society organized local branches throughout the country to operate nurseries, to encourage the use of chemical fertilizers and modern implements, to import improved livestock, to sponsor fairs and exhibitions and to prepare and distribute a great variety of popular pamphlets.

The Period of 1909-17

IT WAS DURING THIS PERIOD that general conditions began to improve and a new spirit of renaissance permeated both the political life and the social outlook of the nation. This new spirit had its genesis in a military *coup d'état* engineered in 1909 by the so-called Military League and later developed into a real revolution. The pattern had already been traced out by the Young Turks' agitation in the Ottoman Empire in 1908; it was fully expanded by the short-lived Greek Revolution in Bulgaria under the peasant leadership of Premier Stambuliski following the conclusion of World War I.

It is difficult to compress in a few paragraphs the results of the events of 1909-11. Reflecting a profound popular discontent with both the international situation and the internal conditions of Greece, the Military League, first, threw out summarily the old guard politicians, who had almost succeeded in appropriating for themselves and their cliques everything public and private. Then, having invited the Cretan statesman Eleutherios Venizelos to form a new government (on October 18, 1910), the League empowered him to proceed with new and progressive policies commensurate with the sacrifices as well as the abilities of the Greek people. It was recognized by then that public responsibility was the

apex of both social rehabilitation and economic reconstruction of the nation. This program Mr. Venizelos vigorously proceeded to carry out after receiving overwhelming public acclaim, and continued to do so for more than a quarter of a century, until his death in March, 1936. The greatest statesman of modern Greece, he identified his good fortunes and his sad failures with those of his country and left the indelible mark of his magnetic personality on everything that was contemporary.

One of the first signs of national resurgence was the creation in 1910 of a separate Ministry of Agriculture, Commerce and Industry, which was the following year renamed the Ministry of National Economy. Its terms of reference, encompassing an ambitious program, included the development of national resources, the organizing and channeling of all productive forces, and the ultimate raising of the standard of living through an increase in the national income. As regards agriculture, the steps taken in forwarding the new policies were many and varied: co-operatives of various types were established; chambers of agriculture, thirty-two in all, were organized to protect the professional interests of the peasant; a large corps of plant pathologists and agronomists were trained in special schools in Greece and abroad; and land reforms, such as the breaking up of large estates, conservation, reclamation and the like, were initiated.

It must be noted that this program had hardly advanced beyond the planning stage before it was seriously interrupted by the two Balkan Wars of 1912-13 and the First World War, which for Greece did not come to an end until September, 1922. In addition, the incessant and bitter dissensions between Royalists and Venizelists, which burst forth in 1915 and proved so catastrophic to the nation's entire economy, kept public policies in constant flux and prevented the new agrarian program from making much headway.

Nevertheless, it is claimed that this period constituted the starting point of the new economic planning and laid the foundations of whatever progress Greece was subsequently able to achieve toward an intelligent and effective solution of her land problems.

The Period of 1917-40

THE LAST PERIOD of agrarian evolution in Greece began with the consolidation of the agricultural and forestry services into an independent Ministry of Agriculture, whose sole point of departure was the study and the execution of a distinct agricultural program as an integral part of the economic life of the nation. Its initial steps, however, were halted, first, by the Revolution of Salonica in 1917, which cut the nation into two parts, one joining the Allies against the Central Powers, and the other remaining neutral, and, second, by the Asia Minor campaign of 1919-22 whose outcome brought to Greece a large number of peasant refugees from Turkey (1,100,000), from Bulgaria (50,000) and from Russia (60,000).

This inordinately excessive influx of peasants was suddenly poured on the shores of an already over-crowded nation endowed with a very limited area of arable land and possessed of an impoverished national treasury, as a result of ten years' continuous fighting (1912-22). But the settlement of the refugees had to be done and the miracle happened (two loans totaling £13 millions were contracted abroad under the auspices of the League of Nations). The well-to-do land-owners and craftsmen of yesterday, now lacking even adequate clothing, were finally re-established and with their collective productivity contributed toward further progress and development. Joining with the old inhabitants of Greece in a mighty effort, which, figuratively speaking, pulled up the small and none-too-prosperous nation by her

bootstraps, these refugees helped solve the century-old agrarian problem. Their influence in reorganizing and invigorating the economic life of the nation was greater still—until in 1940 World War II came to destroy everything that was built with so much effort, with so much blood and sweat and tears.

It is of interest to note that this refugee settlement was successfully carried out in Greece at a time when elsewhere economic liberalism was being elbowed out by fiscal Statism; when liberal cosmopolitanism was being ousted by an intense nationalism; when territorial expansion was being aided and abetted by theories of a new mercantilism whose hallmark was national autarchy and whose implement was State dynamism.

The refugee settlement was preceded by the Agrarian Reform Law of 1917, whereby large tracts of State and church land were expropriated and distributed to landless farmers. Of this land, State ownership comprised 53,700 hectares (one hectare = 2.471 acres), while church holdings comprised 48,000 hectares. After the exchange of populations, a second law passed in 1927 expropriated additional land of an aggregate area of 1,142,000 hectares, of which 592,130 hectares with 63,886 houses were vacated by the Turks and Bulgarians leaving the country; the remainder came from State, community, church and private land holdings. The total area of land distributed to the refugees was 839,044 hectares, of which 503,537 hectares were arable.²

By the end of this period, the list of accomplishments, of which Greece might justly be proud, was considerable. It may be summarized under four headings: (a) an increase in educational facilities for the training of agriculturists and agronomists, headed by the Superior School of Agriculture,

²O. S. Morgan, Ed., "Agricultural Systems of Middle Europe," New York, 1933, p. 153.

which was established in Athens in 1920; (b) an extension of bank credit to individual farmers and to organizations, such as co-operatives, autonomous agencies and the like; (c) the marketing of farm products locally and abroad; and (d) the organization of farmers in co-operatives and chambers of agriculture for mutual assistance and other benefits.

In originating and carrying out the last three policies, the Ministry of Agriculture was ably assisted by the Agricultural Bank of Greece, which was established by a special convention signed on June 27, 1929, between the government and the National Bank of Greece, and began operations in 1930. This bank has been a tremendous success. With branches throughout Greece, it acts as an autonomous public banking institution and is intimately connected with all policies of the State having to do with the advancement of agriculture in Greece.

General Data

As of 1939, the territory of Greece comprised 50,146 square miles or 12,987,980 hectares. The average cultivated area (arable land, tree and bush crops) during the years from 1933 to 1937 comprised only 2,473,000 hectares or 19 per cent of the total territory. In 1935, the population of Greece did not exceed seven millions; of that, 20.8 per cent were gainfully employed in agriculture, representing 60.29 per cent of all gainfully employed people as against 53.8 per cent in 1928. In 1938, the national income of Greece amounted to 50 billion drachmas, or approximately \$444 millions (one dollar = Drs. 112.62), of which 45.3 per cent, representing Drs. 22.6 billions or \$201 millions, was accounted for by agriculture.

The structure of farming in Greece is predominantly based upon small owner-operated farms. Before the Agrarian Reform Law of 1917, there were 2,259 large land holdings of 200 to 2,000 hectares in size. By 1929, there existed a

total of 953,400 holdings, of which 950,600 were owned by private individuals; of the latter, 757,700, or 79.5 per cent were farmed by the owners themselves. There were also 31,861 share-croppers, 11,427 long-term tenants and 55,949 short-term tenants.³ The size of farms varied from one hectare in gardening and tobacco regions to as much as 12 hectares in regions where the land is of poor quality. On the whole, two-thirds of the farms were less than 3 hectares (7.5 acres). As a result, the average farm income in Greece is comparatively the lowest in Europe, namely, 13,300 drachmas or about \$123 in 1936. Often confronted by crop failures or sluggish markets, Greek farmers face starvation; to save themselves, they resort to loans, which, if contracted with private money lenders, involve relatively high rates of interest, as much as 25 per cent. The National Bank of Greece alone in 1929 granted loans in general of Drs. 1,642 millions and through co-operatives of Drs. 1,165 millions, or a total of Drs. 2,807 millions, at an average rate of interest ranging from 5 to 9 per cent.

Of all products and goods exported from Greece during the years 1933-37, tobacco comprised an average of 43.59 per cent, dried raisins 19.40 per cent, olive oil 4.19 per cent, olives, 3.42 per cent and wines 2.92 per cent, or a total of agricultural products of 73.52 per cent. On the other hand, imports during the same period consisted of an average of 19.59 per cent of cereals, of 8.97 per cent of other foodstuffs, 3.83 per cent of livestock, and 4.19 per cent of raw textiles and fibers, or a total of 36.58 per cent of agricultural products and implements. A heavy importer of wheat, Greece imported an average of 45 per cent of her total consumption; this average represented 427,000 metric tons (one metric ton = 2,204.6 pounds) a year.

Greece is the most densely populated country in that part

³ *Annuaire Statistique de la Grèce*, 1939.

of the world, as the following statistics show (per square kilometer of cultivated land):

Greece	336	inhabitants in 1931
Yugoslavia	183	" " 1930
Hungary	147	" " 1931
Bulgaria	140	" " 1927
Rumania	128	" " 1931

In 1930, there were 5,754 agricultural co-operatives in Greece, of which 4,351 were credit co-operatives, 430 sales, 270 processing and 515 miscellaneous. After the establishment of the Agricultural Bank of Greece in that year, the number of co-operatives began to decline, reaching in 1936 a low of 3,761, of which 3,021 were credit co-operatives, 21 consumer, 348 marketing, 249 production and 122 miscellaneous. They claimed a membership of 264,000 with a total of 420,000 shares (the aggregate capital is not available). The following year there was a marked increase in credit co-operatives, which totaled 4,414, comparing very favorably with those operating in neighboring countries, as the following statistics show:

Greece	4,414	in 1937
Bulgaria	1,703	" 1935
Hungary	6,050	" 1936
Rumania	4,269	" 1936
Yugoslavia	4,567	" 1936
Turkey	663	" 1937

The Tax Structure

TAXATION IN GREECE is relatively high; direct and many indirect taxes consume about 25 per cent of the national income. During the agricultural crisis of the early 1930's a five-year moratorium on agricultural debts was declared, but taxes direct, indirect and special, were collected just the same.

Direct taxation on farm land amounts to 12 per cent and

on animal husbandry to 10 per cent, thus imposing a heavy burden especially on people engaged in a combined crop-animal type of farming. Some of the special taxes levied on gross returns are 5.25 per cent on olive oil, 17.6 per cent on tobacco, 3 per cent on cocoons and 7 per cent on currants. Heavy indirect taxes are collected on purchases of salt, matches, kerosene, gasoline and other necessary items. Finally, local taxes or taxes for the benefit of certain institutions are collected on almost all products; these reach from 50 per cent to even 100 per cent of the principal taxes. Specifically for 1930-31, agricultural taxes, exclusive of production, inheritance and real estate transfer taxes, constituted about 30 per cent of all direct taxes collected or Drs. 1,723 millions; indirect taxes amounted to Drs. 511 millions.

All authorities agree that this system of taxation, for the most part a carry-over from the long period of Turkish rule, is defective, unjust, and unwise from the point of view of national welfare. Taxes are collected on gross rather than net income; they are lacking in unity, each farm commodity being taxed at a different rate which is not even uniform for all parts of the country; and indirect taxes work a great hardship on producers. The next phase of agrarian reform in Greece, along with her economic rehabilitation and reconstruction after four years' looting and pillage by the Axis, must begin with the reorganization of her entire tax structure.

Washington, D. C.

Objectives and Methods in Teaching the 'Principles' of Economics

By HARRY GUNNISON BROWN

READING A HISTORY of Greece back in my high school days, I recall running across a story—perhaps apocryphal—of a teacher of music who charged double rates of any pupils previously taught by any other teacher. There was so much for them to unlearn that the task of making competent musicians of them was, he felt, especially difficult.

Something of this same difficulty confronts the trained and conscientious teacher of economics. For many—perhaps nearly all—of those he teaches have picked up a very considerable amount of misinformation. This is largely in the form of popularly held fallacies which they have read in newspaper editorials, heard in political speeches or gathered in from street or barber shop conversations. And it is really pretty important—I was on the point of saying superlatively important—that they come to see clearly wherein each such common opinion *is* fallacious, and that the lesson and conviction be not temporary and superficial but permanent and profound. Otherwise these same students, in turn, will be—like those from whom they absorbed their ill-considered views—the sponsors and protagonists of unwise and injurious policies.

Among such fallacies are the following:

- (1) That it is conducive to the general prosperity and to one's own prosperity to purchase goods in one's home town notwithstanding they can be purchased more cheaply elsewhere.
- (2) That, however desirable it may be for us to trade with foreign countries, it is injurious for us to purchase goods

from a country on a "lower standard of living" than one's own.

- (3) That if and because the people of a country have a low standard of living, therefore they are able to and will sell their goods at lower prices, *i.e.*, "undersell" goods produced in high standard of living countries—whereas, in fact, whether the standard of living is high or low has *nothing to do with the matter*.
- (4) That business depression and unemployment result from the paying of low wages to employees who, therefore, are not able to "buy back what they produce," thus making these goods unsalable, and
- (5) That to increase wages provides more employment.
- (6) That for government to take by taxation or borrowing, the money *we* would spend or invest and to use this money for public works, is an effective remedy for unemployment.
- (7) That to tax others for the purpose of helping out a special group—*e.g.*, to give benefit payments to farmers or pensions to the old—adds to the prosperity of the persons taxed because the recipients of the payments have more money with which to buy goods from those taxed.
- (8) That it is the nature of machinery to reduce the opportunities for employment.
- (9) That higher sale prices for land constitute a general economic gain.
- (10) That the maintenance of the value of paper money is dependent upon their being a specie reserve, *i.e.*, "something back of it."

In the process of refuting these fallacies, the teacher can sometimes free the student from a number of his group or class prejudices, too. Of course it helps if the teacher himself is not too greatly thus afflicted!

I

THE STUDENT SHOULD LEARN—if he is ever to reason competently on economic problems, he must learn—the usefulness of deductive reasoning from broad generalizations. Such an empirical generalization as that men prefer more to less and, therefore, will usually choose to work in industries where the pay is larger rather than where the pay is smaller, does not have to be true without any exception in order to be most useful to us. If it is true *in general*, we can deduce, for example, the effect of a tax on production of a particular kind of goods—*e.g.*, potatoes or cigarettes—in raising the price of the goods taxed.

It is from such generalizations that we are able to deduce some of the most important truths of economics, truths that are highly significant for the determination of wise public policy.

Thus, the student may advantageously be taught how impossible it is to arrive by direct induction at the conclusion that a protective tariff does or does not make a country more prosperous. He may—and should—learn to look with suspicion on those superficial commentators who refer to the carefully worked out deductive reasoning on the matter as “mere theory” and who insist on direct appeal to “the facts.” He may—and should—have pointed out to him that the relative prosperity of a country is the result of many things, *e.g.*, abundant natural resources, sufficient and good machinery, well-trained and skilled workers, unrestricted trade *within* the country, etc.; and that the contribution of either unrestricted trade with foreign countries *or* a protective tariff against their products, to this happy result cannot be inductively ascertained unless the effect of each other cause is first subtracted. In short, a valid inductive process would have to be, in this problem, the “method of residues,” and in such a problem this method is obviously impossible of application.

To bring home to the student the ridiculousness of the contention that we should, in this matter of free trade versus "protection," reject deductive theory and rely on direct induction from "the facts," reference may be made to a satirical presentation of a similar inductive argument, attributed to Mark Twain. The statement was, in effect:

The most dangerous place anyone can be is in bed. For more people die there than anywhere else.

We can imagine this line of argument to be carried further—as, in the case of the protective tariff, it often has been—as follows:

Yes, your *theoretical* medical men may contend that sick people should be put to bed for recovery. But they're just *impractical, academic theorists*, unfamiliar with practical things. I'm a practical man. I certainly don't take any stock in mere *theory*. I look for the *facts* and the facts are that more people die in bed than anywhere else.

In considerable degree a good course in fundamental economics is also a training in applied logic. If the student has already been through a thorough course in formal logic, he may be somewhat advantaged. But the requirements for the first year or two of college work and, also, the chronological order in which college courses are taken vary from one institution to another and I am not inclined to urge that the course in logic be made, generally, a pre-requisite for the course in the "principles" of economics. Indeed, advantage may lie in either order: the applied logic of the course in economics—as of the course in any of the physical sciences—may be helpful in the course in logic if the chronological order of exposure is reversed!

II

WHERE THE THEORY being surveyed readily permits of it, the student should learn to see and express in quantitative terms, the relationships discovered. The relationships are

likely thus to become much clearer in his mind and to be better remembered. This does not mean that use should be made of the calculus or even of complicated algebraic formulae or of complicated graphs. If the study of economics is to have appreciable influence on policy in a democracy, it should be open to others than students who have majored in mathematics. *And it can be.* An understanding of the advantages of international trade, of the effects of increasing and decreasing circulating medium on the price level, of how deflation may affect employment, of the relation of price to cost of production, of the determination of a rate of interest, etc.—these do not require extensive preliminary training in mathematics. Such mathematical formulae and problems as are introduced into the basic course in economics should be simple. They should not be introduced for their own sake—and certainly not to give prestige either to the teacher as a skillful mathematician or to mathematical methods—but only as and when they really do help the student to comprehend important economic relationships. This, in my experience, they sometimes do in marked degree. And to accomplish this result I have found it unnecessary to go beyond arithmetic and the very simplest algebra. But students with considerable mathematical training and ability of course will handle even such simple problems as I thus give, with a quickness and facility which other students may not display.

Sometimes the analyses of economics are referred to causally as not enabling us to make precise predictions. And economics is thus contrasted unfavorably with physics and chemistry. But, in truth, the difference is, at most, rather one of degree than of kind. Determining where a projectile will strike is a problem of physics. The investigator may calculate the initial force with which it leaves the muzzle of the gun. He may then correct his estimate of the path

the projectile will follow by allowing for the influence of the earth's gravitation, and conclude that this path will not be a straight line but a curve. But before he decides just what the shape of this curve will be, he should take into account the resistance of the earth's atmosphere. Furthermore, if the projectile has been shot upward at (say) a forty-five degree angle, and with great initial velocity, allowance must be made for the fact that it goes through air of different densities. And what if, after calculations have been made, the barometric pressure changes? Or what if the wind is blowing? What, especially, if there are shifting winds which differ at various places through which the projectile passes? Would the person who scouts the reasoning of the trained economist then say to the physicist:

Your alleged "science" is no good. It's just a lot of impractical theory such as we naturally expect from a cloistered "professor." According to your calculations the projectile ought to have struck this maple tree about ten feet from its base. In fact, it did not hit the tree at all but passed well to one side of it, and was considerably higher than you calculated. Hereafter, when I want to know how to aim, or where a projectile aimed in a certain way will hit, I'll listen to some practical man who doesn't bother with your academic "theories."

Again the reasoning of the man who insists that "the most dangerous place anyone can be is in bed, for more people die there than anywhere else"!

The truth is that the physicist, like the economist, can tell only what will happen *under given conditions* and can predict exact occurrences only as he knows precisely the forces in operation. In the laboratory he can exclude such forces as varying winds. But when applying his theories in the great out-of-doors, he is in much the same position as is the economist who applies his theories to a great and complex society.

Nevertheless the theories, alike of physics (or chemistry, etc.) and of economics are useful. The economist may not

be able to predict, in case a tax is levied on (say) the growing of potatoes, that the price of potatoes will be higher in the succeeding season or year than in the year before the levy of the tax. An exceptionally good growing season or year may make the output larger and the price lower despite the tax. What he can say is that the price will be higher with potato growing taxed *than* it would be under the same seasonal and other conditions if potato growing were not taxed. Here he is like the physicist who cannot say that if an arrow or other projectile is started on its course a little more to the right than on a previous occasion, it will necessarily land further to the right than before. An uncalculated gust may deflect it. What he can say is that it will land further to the right than it would land under the same conditions of air currents, etc., if it had not been pointed so at the beginning.

III

IN PRESENTING TO MY STUDENTS in the "principles" course the subject of international trade and that of the protective tariff, I make use of an illustrative arithmetical problem. By means of it, I endeavor to make them see clearly that a country with "a low standard of living" is definitely *not* able, on that account, to sell its products more cheaply than if it had a relatively high standard of living. And I am convinced that by using this problem, introducing additional and realistic modifications during the discussion, I can give my students a picture and an understanding of the approximate reality that I could not give them equally well in any other way. Thus I can make them see that, in the application of economic principles to this particular problem the economist follows much the same method as does the physicist who, by introducing into his hypothesis successive forces (initial velocity, gravity, resistance of atmosphere, etc.), is able approximately to picture and explain the course of a projectile.

Here is the problem as it is presented in the Appendix of my "Basic Principles of Economics":¹

Assume that, in Country A, which has a high standard of living, a day's labor of one man can produce:

- 10 bushels of wheat or
- 2 tons of coal or
- 40 gallons of gasoline or
- 20 yards of cotton cloth or
- 5 yards of heavy woolen cloth or
- 10 bushels of rice.

But in Country B, which has a low standard of living (just because of the low productiveness of its labor), a day's labor of one man can produce

- $\frac{1}{2}$ bushel of wheat or
- $\frac{1}{6}$ of a ton of coal or
- 3 gallons of gasoline or
- 4 yards of cotton cloth or
- 1 yard of heavy woolen cloth or
- 2 bushels of rice.

We shall suppose, also, that these goods will sell in the world market at prices of

- Wheat, \$0.80 per bushel;
- Coal, \$4.00 per ton;
- Gasoline, \$0.20 per gallon;
- Cotton cloth, \$0.25 per yard;
- Woolen cloth, \$1.00 per yard;
- Rice, \$0.50 per bushel.

So as to make the problem as simple as possible, we shall ignore transportation costs. To do so will simplify and will not at all invalidate our reasoning so far as concerns the main point at issue.

On the basis of the above assumptions, what would be the income of the worker per day in Country A, if he produces wheat, coal or gasoline?

What price per yard or per bushel would be necessary to make such a worker willing to produce cotton cloth, woolen cloth or rice?

How high would the tariff have to be, therefore, to shut out the cloth and rice from Country B and establish these industries in Country A?

Now consider the case of Country B. What would a worker earn per day if he produced cotton cloth, woolen cloth or rice and sold it at the assumed world market price?

¹ Lucas Brothers, Columbia, Mo., 1942, pp. 509-10.

What price per bushel, per ton or per gallon would be necessary to make him willing to produce wheat, coal or gasoline?

Is it not clear that the people of Country A, with their *high* standard of living, could afford to sell wheat, coal and gasoline at a lower price, each, than could the people of Country B? Is it not ridiculous, therefore, to conclude that the lower standard country would undersell the other in all lines?

How high a tariff would Country B have to levy, to shut out the wheat, coal and gasoline from Country A?

My method is to spend some class time in advance discussing the general theory of international trade and the tariff; then assign this problem in the Appendix of my book for study; then give the class a similar problem with different figures to work during a class hour. During that hour I answer freely any questions on the problem which individual members of the class ask. For, simple as the problem may seem to a trained economist, not a few students seem puzzled as to just how to go to work at it. Another hour of class discussion may be necessary and is usually given. After that, nearly all members of the class (though perhaps not absolutely all!) have, I am convinced, a pretty thorough understanding of it.

As a rule, in giving the practice exercise for class work, I add a paragraph to the problem as given in my book, as follows:

Now multiply all the figures for a day's production in Country B (the country with the low standard of living) by twenty. This makes Country B have a *higher* standard of living than Country A, for its output per person is now higher in almost every line. Will its people still undersell the people of Country A *in the same goods* or will they not? If they will and do, does a low standard of living *have anything to do* with the ability of a country to undersell the people of another country?²

² If some carping critic should suggest that Country B's now enlarged output might somewhat lower (depending on the relation of its contribution, to the total world supply) the prices on the world market of the goods specialized in by Country B, his attention should be sharply called to the fact that it is then the *high* productivity and standard of living in Country B—not its *low* standard of living, as so often claimed—which is tending to reduce these prices!

For a good many students these last questions seem to clinch the matter, not always previously understood, of the irrelevance of standards of living. It is most interesting to hear students say at this point: "Why, the standard of living doesn't have anything to do with the matter, does it?"

But, as has already been noted, the physicist studying the theory of projectiles, would have a most incomplete and inaccurate picture of what happens to projectiles in actual battle, if he considered only initial velocity and the force of gravity. He must certainly pay attention to the resistance of the atmosphere. Likewise the economist, in such a problem as the one we have been discussing, must introduce the fact of *different* costs of production within the same country. Even if it is assumed that Country B cannot fully supply itself with wheat except at a (marginal) cost per bushel of \$2.00, it needs to be recognized that perhaps *some* wheat can be produced in that country at a much lower cost. There may be *some* persons in Country B who can perform that kind of work so well or other work so ill that they would be willing to produce wheat for \$0.80 per bushel *or less* rather than engage in another occupation. And there may be some farms or parts of farms so good for wheat raising and so relatively unfitted for other crops, that it would pay to devote them to wheat production even at a price of \$0.80 per bushel or, even, considerably less.

By giving due attention to such facts, the student learns why the people of a country may advantageously produce at home a part of what they want of a given commodity (as much as can be produced at a less cost, or no greater cost, than the price of the foreign good) and import the rest.

Space can hardly be afforded here, nor is it appropriate, to go on with all the further complications, monetary and other, that are necessary to an approximately complete theory of international trade and the effects of tariff barriers.

Enough has been presented for the purpose, which is to indicate, in part, a method of approach in teaching economics to the undergraduate student; and to indicate, perhaps especially, a way of making him see that the "mere theory" he may have heard mentioned slightly can, if carefully studied, give him a far better picture of economic society and the forces at work in it than he could possibly get in any other way.

IV

NO STUDY OF ECONOMICS is at all complete, of course—and this is implied in some of the previous discussion—if it does not lead the student to some awareness of the pressure groups and political forces in general by means of which, though inconsistently with what may be considered the normal mode of operation of the system of free private enterprise, laws are promulgated which lay some of us under tribute to others of us. Greater realism and interest will be given to the course if the teacher—or the text or both—cites particular cases. Protective tariffs combine such collection of tribute with general economic waste and loss, *i.e.*, even if and when some gain at the expense of others, they do not gain (on the average) what the others lose.

Obviously many things in the student's background and training may help him to understand and appreciate the nature of the problems that confront him in the field of economics. If he has a broad background of history, if he has studied government and comprehends the working of political forces, if he has a practical understanding of psychology either from a study of that subject or from wide reading in general or wide experience with men, if training in the natural sciences and mathematics has familiarized him with careful research and quantitative thinking, if a study of logic has developed skill in distinguishing valid reasoning from fallacy—if the student beginning the study of eco-

nomics is equipped with all this background he will thread the devious paths of economic analysis with a sure-footedness that would otherwise be impossible for him. But teachers of economics cannot expect most of their beginning students to have had all of this very desirable preliminary training. In practice, the college student pursues various lines of study simultaneously and the teachers of none of them can well exclude—nor would most economics teachers wish to exclude—all students who have not given extended study to all the others.

In this connection, however, I do want to register my dissent from a view that seems to have gained favor at a few institutions of higher learning which enjoy a certain prestige, the view that in place of beginning courses in various separate social studies, such as economics, there should be a more general and all-inclusive course. This course includes or is expected to include work in history, government, economics and perhaps anthropology and sociology. It is supposed to be, thus, an "integrated" course in the social sciences.

Unless a very great deal of the student's time is devoted to such a course for perhaps a year or more, the economics part of it is likely to give him only the merest smattering of economic principles.

But what concerns me especially here is the assumption that the student is better equipped to understand and profit from economic analysis through having it preceded or accompanied by (and so in some sense "integrated" with) all or most of the other social studies, than by having it preceded or accompanied by work in a variety of other fields such as some of those referred to several paragraphs earlier. And since a student's period in college is limited, it is unlikely that he will ordinarily be prepared in *all* of the various fields which might be helpful in his study of economics.

My own opinion is that we should encourage the would-be economist to seek an understanding of many things other than economics, to the end, among others, that he may be a more trustworthy guide in the field of economics itself. But I would not prescribe for him a particular and extended sequence of courses in the "social sciences," to the probable exclusion of work in some of these other fields, on the basis of any theory that thereby his study would be more "integrated."

I do not think the general course in economics should be chiefly descriptive and factual nor that it should be burdened with definitions. Rather should it be, in the main, a course in applied logic. Some textbooks in the subject are heavily padded with factual data which the student feels he must learn in order to "get a grade" but from which he will gain no understanding of cause and effect relationships and no significant economic philosophy. Those facts, almost inevitably, he will soon forget.

Nor do I believe that the college student should be required, or encouraged, to take, before beginning his course in the "principles" of economics, an introductory "description of economic life." Such a course gives no training in analysis of cause and effect relations. To the student who enjoys reasoning, it is likely to be a bore—and, in general, college students ought to be trained to reason rather than merely to memorize detailed facts. Furthermore, it is not likely that such a purely factual and descriptive course will be much help in the course in "principles," even on the factual side. Students commonly have some knowledge to begin with of the superficial aspects of our economic life, enough to build on in the "principles" course. Some bits of detailed factual information may, indeed, have to be given them. But such information is, as a rule, most effectively presented along with the study of its fundamental signifi-

cance; surely it does not justify a year-long or a semester-long preliminary course devoted merely to factual details. There is too much else—mathematics, logic, physical science, psychology, etc.—that is of greater value.

V

STUDENTS SHOULD BE ENCOURAGED to question the teacher fully and freely. They should be encouraged to bring up for careful consideration their objections to the reasoning presented by the teacher and the textbook. Such objections should be considered fairly. No attempt should be made to discredit any objecting student (unless he be deliberately discourteous) or to raise a laugh at his expense. The student should not be asked to accept any statement of principle, any chain of reasoning, as right, on the authority of the teacher, however able the teacher may be, or on the authority of the textbook, however competent the teacher may believe the author to be. If the teacher cannot make clear to sincere and conscientious students (who are not hopelessly allergic to learning) that the economic forces in operation are such as to make inevitable—or, at any rate, most probable—the conclusions at which he has arrived, then there must be something wrong with the conclusions or with the teacher's own understanding or skill in exposition.

The student should be made to see the relation of his study to welfare. This should not be a difficult goal and, in fact, reference to the significance of the laws or principles studied, for the determination of welfare policy, is bound to add to the interest of the subject. But such emphasis does not mean—it must not be allowed to mean—subjectively warped analysis. Instead, every effort must be made to train him in objective thinking on cause and effect relationships. Indeed, only as he gains an understanding of these relationships can he have confidence that he will ever know through what economic policies the general welfare can be furthered.

Nor is there any intention to suggest that the teacher should become a preacher or exhorter, even for so good an end as the general welfare. If the home, the playground, the school, the church, etc., have not given to the student any spark of altruism or any spirit of idealism, it is not likely that a college course in economics will do so. The task of the teacher in any science is supposed to be primarily to train the mind, not to develop idealism or sympathy. But some part of the analysis presented should be—and often is—directed to showing that exploitation or parasitism has other forms that are less obvious than burglary, highway robbery, bank robbery and forgery, and that the more subtle forms of parasitism are nevertheless of the same genus as the more obvious ones. From such a showing, though the teacher do no exhorting, there may issue, as a by-product, a strengthening of social sympathy and idealism and, if there be already a conscience, an informed and sensitive social conscience.

One of the most important illustrations of parasitism—perhaps, in our society, the most important—is to be found in the private enjoyment of the rent (including royalties) of natural resources and sites. Yet because of long habituation and, too, the common and unanalytical use of the term “real estate” to include both land *and* constructed capital such as buildings, the beginning student of economics ordinarily, has not even thought of such rent as involving parasitism or as essentially different from any other property income. He will need to have the different types of income explained. If this is not done—and thoroughly done—in his course in economics, he will be, however fully inconsequential topics are treated, only superficially educated in the most fundamental economic problem of all, *viz.*, that of the relation of men to the earth on which and from which they must live.

How shall the essential facts be brought home to him? In my opinion he should have called to his attention early in the course the general idea of exploitative or parasitical income, with due reference to burglary, highway robbery, forgery, etc., as means of getting something for nothing. Such relatively "respectable" incomes as the excess gains of monopoly should be compared with these others. So, likewise, should be compared the gains realized by such methods of competition as are prohibited by the Clayton Act and the "cease and desist" orders of the Federal Trade Commission. Also, it may be well to refer to the limited number of frequencies for broadcasting and the consequent high value which can inhere in an *exclusive privilege* of using one or more of these frequencies. The question may be advantageously raised whether an income so received does not resemble the income a person might derive from the exclusive privilege (which he might rent to others) of using Lake Michigan or New York Harbor, or the exclusive privilege (again, rentable to others) of enjoying the sunshine.

Preferably, I think, at a later point, after capital has been studied, its dependence on saving pointed out and its serviceability or productivity made clear, the student should have called to his attention the important distinction between capital and land. He ought certainly to arrive at a realization that the individual landowner did not and does not bring his land into existence by saving and that it was not through saving by such owner that his land gained its location advantages and rental value. In any analysis that is at all adequate land rent becomes assimilated, in large degree, to income from monopoly, from the exclusive privilege of using a radio frequency or a river, lake or harbor and, indeed, from the ownership of slaves.

Superficial analysis will not suffice. The effects of monopoly, slavery and private income from the rent of land must

be understood in their social aspects. A particular owner or part owner of a monopoly may have *bought* this monopoly from a previous owner at a high price (because of the anticipated high income) and may, therefore, receive thereafter *only an ordinary per cent return on the price he paid* for this ownership. But the student should be made to *face the fact* that the excess price charged by the new monopolist for goods or services produced by the business, over a price which would yield a normal competitive return on a reasonable *cost of construction* of the plant, is none the less parasitism. It is as if a particular tapeworm in a human host's stomach had gained his place by *purchasing it from a previous occupant*. Would the human host consider that he "ought" for such a reason to remain a host forever!

A similar analysis and questioning of the ultimate relations involved should be made with regard to income from slave owning *and* income derived from charging others for *permission* to work on and live on the earth in those locations where work is reasonably productive and life reasonably pleasant. Is it the moral duty of the slave to continue to be a slave if and because his master has *purchased* him for a good price and is, therefore, making only a "reasonable" or *ordinary* per cent on his investment? Is it the moral duty of the landless *never* to protest the land rent system in *any way* or to urge *any change* in the comparative tax rates on land rent income and other income—even a change so *gradual* that it would require a *hundred years* to complete it!

Whatever may be said as to an appropriate remedy, I believe it can be fairly insisted that a study of economics which claims any semblance of completeness—which claims to deal at all adequately with the principles and significant phenomena of the subject—but which does not bring the student *face to face* with the problem of parasitism, *including in parasitism the institutional land rent system to which he is habituated*, is pretense and sham.

In this connection it is worth while contrasting the problem of the economist who seeks to promote desirable economic policy, with that of the physician who seeks to apply a new drug or technique in healing. To get his drug or technique used, the physician has to persuade, at the start, but a single patient. It is then—unless something goes very wrong—not too difficult to try the method on others. Indeed, with a few fairly obvious successes, its use may spread rapidly. But the economist eager to promote economic reform cannot even get his proposals tried at all in any democratic community or country without the support—at any rate the tacit consent—of a majority. Until it is tried, many will argue against it as “untried” and “pure theory.” Yet until these objections are somehow overruled, it cannot be tried!

The idealistic economist, nevertheless, must not succumb to defeatism. He must believe—certainly he may at least hope—that even majorities can be sometimes persuaded, at any rate in some communities which may then become exemplars of other communities. He must believe that his science contains the words—at any rate *some* of the essential words—of social salvation. Only so can his work continue to be inspired by the zest of anticipated usefulness.

University of Missouri

Japan and Western Europe, IV*

A Comparative Presentation of Their Social Histories

By FRANZ OPPENHEIMER

IV. Feudalism in Japan

I

THE SUCCEEDING PERIOD in Japanese history follows the typical course: the landed property of the aristocracy, and therewith the class political power, grow beyond all limits, whereas that of the central authority decays. The free commoners sink, while the lower order rises in numbers and political influence until it merges with the descending freemen in an indistinguishable class of people who are politically powerless and are economically exploited in a rigorous fashion.¹⁸³ A part of the lower class, however, attains the rank of the minor aristocracy. We are going to describe this process at somewhat fuller length.

The land reform was bound to miscarry because both those conditions were allowed to remain which universally preclude every reform, to wit: large landed property and slavery. The estates of the crown, of the ecclesiastical institutions, which were very important¹⁸⁴ and especially that of the victorious group of noblemen, the Fujiwara and their allies, were not subjected to the law, were not distributed, and did not pay taxes: "those in possession of shrines and temples, those granted to officials by way of salary, and those cultivated by serfs on government account." It was the increase, legitimate and illegitimate, of these exempt fields which in the succeeding centuries brought down the whole system and, in combination with other tendencies, brought about a feudal regime.¹⁸⁵ Members of the imperial family, officials from the eighth rank upwards, were exempt of taxes for their giant landed property just as doctors, scribes, soldiers and low officials were for their dwarf property.¹⁸⁶

Large property could only last and, more especially, could only increase, because slavery had not been abolished. Honjo reports that slavery grew strongly in this period. Therewith the condition was given which enabled the victors in the great battle of the aristocratic cliques to rise to ever

* Copyright, 1945, by the estate of Franz Oppenheimer.

¹⁸³ Sansom, *loc. cit.*, p. 214.

¹⁸⁴ *Ibid.*, p. 132.

¹⁸⁵ Sansom, *op. cit.*, p. 98.

¹⁸⁶ *Ibid.*, p. 99.

greater political might. The Fujiwara and their allies had shared between them the huge loot consisting of almost the sole wealth of the period: land and the slaves needed for its cultivation. These possessions, enormous as they were at the beginning, grew, following the "law of agglomeration about present kernels of fortune,"¹⁸⁷ to unheard of measures. The Fujiwara "*monopolisaient bientôt toutes les richesses, toutes les forces du pays. Ils eurent un grand nombre d'esclaves et possédèrent d'immenses domaines. Grâce à ces esclaves, ils purent, soit défricher ou cultiver leurs terres, soit les affermer.*"¹⁸⁸ They cleared new land in the old provinces, and acquired enormous property in the newly conquered ones. Originally all these possessions were only fiefs to usufruct for "three lives" at the most, but laws were enacted as early as 732 and 743, granting at first a temporarily restricted, and then a hereditary right on newly cultivated land or land improved by irrigation.¹⁸⁹

These laws were intended to serve the interests of the then ruling group, the Fujiwara, and their retinue. But soon they proved to be dangerous to their power, because the Fujiwara also were now compelled—a regular system of taxes and money economy still being lacking—to confide or better to deliver to their officers and civil officials the taxes and services of the district or estate. Naturally these offices became hereditary in their turn and were lost to the central authority, which gradually had to bleed to death. The Kubunden-land shrank more and more, the more "Shoen" (the Japanese word for manor) came into being, until it was as good as vanished. Thus the principle became unavoidable also here: "*Nulle terre sans seigneur*";¹⁹⁰ with the result that the whole country threatened to become shoenized."¹⁹¹ Sansom says this explained the fortune of the mightiest of feudal families, the lords of Satsuma who descended from a manager of the Fujiwara, and of the equally great family, also of ministerial origin, the Shimadzu.¹⁹²

Highest winners in this game were the governors of the provinces, especially the more distant ones, the "Marches." They descended, as Hara says, mostly from the lower nobility, *i.e.*, very probably from families which had worked their way up as officers or civil officials.¹⁹³ They "engrossed" (as Adam Smith called the monopolization of the soil) "*par*

¹⁸⁷ System der Soziologie, II, p. 267.

¹⁸⁸ Hara, *op. cit.*, p. 122.

¹⁸⁹ Honjo, *op. cit.*, p. 27; Sansom, *op. cit.*, p. 169.

¹⁹⁰ System der Soziologie, IV, pp. 527 ff.

¹⁹¹ Honjo, *op. cit.*, p. 12.

¹⁹² Sansom, *op. cit.*, p. 255, 402.

¹⁹³ Hara, *op. cit.*, p. 131.

divers moyens d'immenses étendues de terre." They became gradually the feudal barons of their soldiers instead of remaining the salaried commanders, the soldiers becoming their vassals; and they attained at last—the power of the central authority decreasing in the same proportion as their own increased—the position of territorial princes and justiciary overlords of their districts, which, henceforth, were their privy "house force."¹⁹⁴

This development took place to the disadvantage of the free commoners and of the central authority, represented here not by the Mikado but by the Mayor of the Palace.

II

WE MENTIONED, that, after the Taikwa-reform, the freemen on allodial land and the hereditary tenants on Kubunde-land had to pay taxes, whereas many of the grandees had discovered how to evade this burden for themselves and their serfs. The latter, moreover, were exempt from military service, while the freemen had to equip and to sustain themselves out of their private means.¹⁹⁵ The saying went then: "When one man is called up, a household perishes."¹⁹⁶ They fell into debts and many lost their freedom through "commendation." Honjo tells of numerous "people who sought to evade public exactions under the protection of local magnates by contributing their land to them."¹⁹⁷ Naturally it became unavoidable to overburden the still remaining freemen by taxes and services, because, on the one hand, the requirements of the State for both court and church kept growing incessantly, whereas, on the other hand, more and more subjects became exempt.¹⁹⁸

The power of the central authority was bound to disappear with the freemen. Honjo reports that, already in the midst of the Heian-period (the period when the Fujiwara and the emperors held court in Kyoto, 794–1159), "the authority of the government gradually waned, while the local magnates steadily gained influence."¹⁹⁹ The immense wealth of the emperors shrank, so that, at the close of this era, only a few domains remained to them. The crown had lost its financial and military power with loss of the free population.

Sansom portrays the balance of the Heian-period as follows: "Halfway through the eleventh century the imperial government had lost most of its power and much of its prestige; the whole country was ravaged by

¹⁹⁴ *Ibid.*, p. 132.

¹⁹⁵ *Ibid.*, p. 123.

¹⁹⁶ Sansom, *op. cit.*, p. 99.

¹⁹⁷ Honjo, *op. cit.*, pp. 11, 32.

¹⁹⁸ Hara, *op. cit.*, p. 123.

¹⁹⁹ Honjo, *op. cit.*, p. 103.

family feuds and civil war; and such law as prevailed was the house-law of the clans. Daylight robbery was rife in the capital, and bandits flourished on the main highways by land and by sea. It is not a pretty picture."²⁰⁰

It is almost the same picture that Europe presented in the same period. The contemporary sources portray no prettier picture. As early as 884 the Capitulare of Karlmann complains: "The enemy is the last to rob; robbery became an institution; defying king and church it is a poison which infected and ruined everything. Everyone, from the smallest to the greatest, from the serf and colonus upward to the vassal, wants to live at the cost of his neighbour."²⁰¹

The decay of the central power progressed inexorably in Japan as in Western Europe. "The inhabitants of the Shoen vowed allegiance to the lord of the district and tilled the land, paying taxes to the lord. Thus, the land and people were turned into private possessions of their lords, instead of being the public land and the public citizens of the former periods. The result was that the authority exercised by the central government over the provinces was considerably weakened. The Shoen was virtually independent of the central government, and there was no connection or unity whatever between these Shoen-districts. Although in the organization of the State in these days there existed a central government, it existed only by name."²⁰²

Already in 940 a military revolution against the Fujiwara had to be quelled, led by Masakado, a general of the great house of Taira, of imperial lineage. He perished in the only attempt ever made in Japan to overthrow, not only the mayordomate alone, but the dynasty itself.²⁰³ The Fujiwara boasted of never having managed a single one of their numerous estates;²⁰⁴ they were as unmilitary as possible, occupying the civil offices alone. Nonetheless they held their position two centuries more, although with ever decreasing power. Lafcadio Hearn ascribes this remarkable duration to the religious sanction protecting the old clan of high-priests but Sansom, we believe, is nearer to the truth when he says that they could only persist because the whole period since Masakado was filled by rebellions, "constant raids, feuds and arrays, varied with campaigns on a grander scale"²⁰⁵ between the great military clans, the Taira, Minamoto, Abe and Kiyowara.

²⁰⁰ Sansom, *op. cit.*, p. 216.

²⁰¹ Fluch, *Les origines de l'ancienne France*, Paris, 1886, Vol. I, pp. 141-2.

²⁰² Honjo, *op. cit.*, p. 12.

²⁰³ Clement, *op. cit.*, p. 30.

²⁰⁴ Sansom, *op. cit.*, p. 205.

²⁰⁵ Longford, *op. cit.*, p. 87.

Longford ascribes the decay of the mighty clan to the effeminating effect of harem life,²⁰⁶ but this argument is rather suspect because it appears wherever a ruling family loses its power. The argument, although not without a certain weight, is too facile and gives an excuse to slide over the real, objective, more momentous causes of the decay.

The Fujiwara, according to Chinese usage and Buddhist custom, restricted themselves more and more to the civil offices, which they absolutely monopolized after the year 845,²⁰⁷ relinquishing the military positions to men of other aristocratic clans. This arrangement was like that in the late Roman empire, where the army, eventually, was completely abandoned to the "strong barbarian."

III

THE ARMY HAD BEEN reorganized in the great reform of the State during the Nara period. The third part of the able-bodied men was destined as a military class from which were recruited the garrisons of the more distant provinces, where fighting continued till the twelfth century, especially in the northern Kwanto against the Ainu, who could only very slowly be subjugated. About half a century after this first law, at the end of the eighth century, a new law was proclaimed that "all those of the rich peasants who had capacity and were skilled in archery and horsemanship, should compose the military class, and that the remainder, the weak and the feeble, should continue to till the soil."²⁰⁸ At exactly the same time Charlemagne arranged the military concerns of the Frankish State in just the same spirit.²⁰⁹

Sansom is of the opinion that "rich peasants" signifies the "district chiefs," officials subordinated to the governor of the province to which their district belonged. The governors were mostly high aristocrats, whereas the district chiefs were members of the gentry, the low aristocracy of the country. They were descended either from free commoners without court rank or from noble families whose landed property had become too small, through successive partitions among the heirs, to keep up their high rank (Japan knew no right of primogeniture).²¹⁰ Japan numbered 66 provinces with 592 districts, each of the latter having their chiefs.

As is inescapable in the feudal order, these offices likewise became hereditary, and the fief of the official became private property. Thus a

²⁰⁶ *Ibid.*, pp. 85, 86.

²⁰⁷ Clement, *op. cit.*, p. 29; Murray, *op. cit.*, p. 128.

²⁰⁸ Griffiths, *op. cit.*, p. 105.

²⁰⁹ System der Soziologie, IV, p. 523.

²¹⁰ Sansom, *op. cit.*, p. 194.

healthy agrarian middle class arose. This "kind of yeomanry recruited on an hereditary basis" constituted after the military reform of 783 the kernel of the standing army and became "the beginning of a privileged class of soldiers."²¹¹ From this class were chosen the well-to-do warrior-peasants who were settled as a tax-exempt militia on the Ainu-frontier which was continuously pushed forward.²¹² This also is an arrangement common to all States in the stage of moneyless "natural economy": Laeti, Limitanei, Kossaks, Kroats, Szeklers, the Akrites of the Byzantine empire—we find them everywhere on threatened boundaries.²¹³

In this manner the sword-aristocracy of the Samurai took its start. It had just the same origin in the lower class of the nation as that of western Europe which arose from the "unfree" *ministeriales* of the high nobility and the monasteries.

This is the beginning of feudalism proper in Japan.

None of the characteristics with which we are familiar from European history is missing here. The first is the tax-exemption and "immunity" of the ruling class, including, naturally, the ecclesiastical estates. "The Shoen was virtually free from taxation or from intervention of local lords; it enjoyed a sort of extra-territoriality."²¹⁴ We hear further of private troops kept by the temporal and spiritual magnates, of castles and monasteries constructed as fortresses,²¹⁵ of "private churches," established to procure to the owner the particular advantages which the clergy had known how to acquire. The full development of feudalism is ascribed by Honjo to the period when the small landholder frequently was obligated to several different feudal lords. This safeguarded the peasant of western Europe against that complete enslavement to which his equal in eastern Europe, where the evolution did not mature to this extent, had to bow. The explanation given by Honjo cannot satisfy: it is impossible for a peasant to accommodate himself to several different lords at the same time. In reality feudalism had developed in Japan exactly as in western Europe in such a manner that the most various rights against the peasant or rather against his holding could be enfeoffed to different feudal subjects. "Attached to each parcel of land were numerous and various rights, known as Shiki."²¹⁶ Such rights were assigned, for example, "to the manager

²¹¹ *Ibid.*, p. 196.

²¹² Sansom, *op. cit.*, p. 270.

²¹³ System der Soziologie, IV, Introduction, p. viii.

²¹⁴ Honjo, *op. cit.*, pp. 11, 100.

²¹⁵ "A refuge for every sturdy knave with a soul above earning a livelihood by the commonplace drudgery of honest work." (Murdoch, quoted by Clement, *op. cit.*, p. 35.)

²¹⁶ Sansom, *op. cit.*, p. 269.

or bailiff of such plots as parts of a shoen," to the lord of the manor and lastly to the territorial overlord who is responsible for immunity and exemption from taxes. This was similar to the European arrangement whereby the territorial or justiciary lord had the right to the public taxes, the owner of the land to the rent, and under certain circumstances the bailiff and the lord of the commons to special dues, whereas the church received the tithes. All these rights could be sold and inherited, either whole or divided: and from this resulted an entanglement of rights and possessions which took place also in Japan. The different persons entitled to dues or services naturally took good care that "their" peasant was not, as it were, swallowed up by another of the crowd. This was the salvation of the western European peasant.

Supremacy within the nation was gradually shifted to the class of warriors in the same measure as it acquired growing economic and political power. At first this development was still under the leadership of some families of primal or high nobility. Eventually, however, some Samurai ascended into the high aristocracy; they became Daimyo, owners of large landed property with princely rights, in the same manner as this occurred in Europe. The sovereign princes of Reuss, for instance, descend from an unfree family of *ministeriales*, and not even from the more highly ranking "imperial *ministeriales*." These upstarts very soon outshone the Kugé, the arrogant courtiers of imperial blood, if not in standing, yet certainly in wealth and influence.²¹⁷

IV

TOWARD THE MIDDLE of the twelfth century two families of imperial lineage were rivals for the supreme power: the Taira and the Minamoto. The former had engrossed landed property in such enormous masses that they were called "Land-thieves" by the impoverished courtiers.²¹⁸ They are said to have owned at the zenith of their power no less than half the soil of Japan.²¹⁹ The Minamoto had gained their giant landed property and their military house-force as margraves in the unruly North, the Kwanto, where the famous general Yoshiye, "the son of the War-God," who had conducted the last war against the Ainu, enjoyed divine worship.²²⁰

The final battle for the crown (here, for the mayordomate) of these powerful clans began on the occasion of one of the innumerable succession-

²¹⁷ Longford, *op. cit.*, p. 83.

²¹⁸ Griffiths, *op. cit.*, p. 217.

²¹⁹ Tauchiya, *op. cit.*, p. 41; Longford, *op. cit.*, p. 100.

²²⁰ Hara, *op. cit.*, p. 150; Gowen, *op. cit.*, p. 121.

feuds, when one of the pretenders called them to the capital to protect him against the too powerful and too insolent monks of the monastery Hiyeizan.²²¹ The rivalry of the Taira and the Minamoto recalls the contemporary conflict between the Hohenstaufen and the Welfs in Germany, both of them likewise closely related clans of imperial lineage. The Taira fought under the white, the Minamoto under the red flag, a purely external similarity with the famous war of the roses in England (1453-85). At that time the Onin-war devastated Japan.

It had been decades since it was merely a feud between two clans hostile to one another; it was the clash of two political systems, of revolutionism against conservatism, of the bees against the drones. The Taira, who, more than their rivals, were addicted to the life of the court, had no other intention than to replace the Fujiwara.²²² The Minamoto, on the contrary, were carried forward by a strong popular movement demanding serious reforms. Thus their party was predestined to win.

The present writer, in his "System of Sociology," has emphasized again and again, what an enormous difference it means for a nation, whether its ruling class has the psychology of the "warlord" or the "landlord," meaning with the last term the mere pocketeer of rent. The warlord needs as many, as sturdy and as faithful followers as possible, and he treats them correspondingly. The landlord, the rentier, however, has but one interest, to squeeze out from as few, as pitylessly exploited and as miserly fed agrarian proletarians as possible the highest possible rent. These miserable serfs are, therefore, much less numerous and much less robust than the retinue of the warlord, and the master has to expect the opposite of loyalty.²²³

With some exaggeration it may be said that the Taira represented the principle of the landlord, and the Minamoto that of the warlord. The Taira had their chief stronghold in the old provinces, whereas the Minamoto had their principality in the North and East which they had to hold against the remnants of the Ainu. They had, therefore, preserved the mentality of the warlord, and it was only natural that they took the lead of the great agrarian movement and were borne to victory by marshalling the bees against the drones.

This revolution was not that of the agrarian proletariat, but of the totality of the country-folk under the leadership of members of the

²²¹ Gowen, *loc. cit.*

²²² Hara, *op. cit.*, p. 140.

²²³ Cf. *System der Soziologie*, II., pp. 326, 558, 691; *ibid.*, IV, pp. 414, 582 and *passim*.

well-to-do middle class, *i.e.*, of those warrior-peasants and especially of the "mayors" (bailiffs), the managers of the aristocratic estates in the whole country. As in western Europe "they had originally been unfree serfs who were trusted with the management of the manors and participated as *ministeriales* in the ascent of their class."²²⁴ And again, as in Europe, "The property vanished under the hand of the lords and came into the possession of the mayors and peasants."²²⁵ The masters "were economically disinherited."²²⁶ These upstarts were the successors of the originally installed managers of the large estates, the owners of which lived at the court in Kyoto or in another of their numerous domains. These positions also had become hereditary, and these lands factual possessions; and now these undervassals were fighting for full independence.²²⁷

Victory was first with the Taira, by the help of a part of the Minamoto who were cleft by discord. The latter were led by Yoshitomo no Minamoto who had his own father and four of his brothers executed although not even one of them had fought against his party. The murderer himself was killed in a conflict about the booty. The same fate hit the Taira themselves in 1189. They were several times defeated and ultimately, in an embittered sea battle, almost completely exterminated according to the hard custom of Nippon.²²⁸ In contrast to the European custom of making prisoners in order to get ransom, the Japanese knight neither accepted nor gave pardon,²²⁹ The "Japanese Nibelungenlied," "Heike Monogatari," written about 1240,²³⁰ contemporaneously with the German epopee, narrates the death of these braves.

The Taira were hated not only for their arrogance, but also because they had promised certain agrarian reforms which they never intended to introduce: "*Leur ambition n'avait pas été de jeter les basses classes de la société contre les aristocrates.*"²³¹ Therefore they lost the best elements of their adherents, and hence the victory fell to Yoritomo as the leader of the serious reformers. The political constellation reminds us of the fight of the sturdy agrarian middle class of England, the "Ironsides" of Cromwell, against the aristocratic "Cavaliers."

²²⁴ *Ibid.*, IV, p. 901.

²²⁵ *Ibid.*, p. 1066.

²²⁶ Lamprecht, essay on *Grundbesitz* in the *Handwoerterbuch der Staatswissenschaften*, third ed., p. 148.

²²⁷ Hara, *op. cit.*, p. 143.

²²⁸ This implacable practice lasted until the Tokugawa period (Hara, *op. cit.*, p. 228-9).

²²⁹ Heike is the Chinese sign for Taira.

²³⁰ Sansom, *op. cit.*, p. 263.

²³¹ Hara, *op. cit.*, p. 140.

V

YORIMOTO ACCOMPLISHED the work the Taira had begun: the unification of the dismembered realm into one powerful organization according to the promised reform of the taxes and the agrarian concerns. His iron-sides received what they had been promised: "*Le nouveau gouvernement se garda bien de négliger les intérêts de ses guerriers.*" More still, and in accord with the characteristic point of view of the warlord: "*Il dut, a façon de pouvoir le cas échéant lever des armées, prendre grand soin, non seulement de ses fidèles, mais de toute la population.*"²³² And thus Brinkley is right in speaking of "a revolution in a double sense," "because it was not only the substitution of a military democracy, but also the rehabilitation of a large section of the nation who had once been the serfs of Kyoto nobles."²³³

Henceforth the last semblance of the ancient imperial might has vanished. The Mayors of the Palace no longer live in the same city together with the imperial court. Yorimoto wanted, as Gowen supposes, to avoid the neighbourhood of the entirely corrupted court.²³⁴ The Fujiwara, from a similar motive, had moved to Kyoto, leaving Nara with its unbearable holy terror, the monks, who had changed the beautiful city into a sort of mountain Athos.²³⁵

More than by this consideration, however, Yorimoto was obviously moved by the wish to be near to his home-province, the Kwanto, when he transferred his residence to Kamakura near present-day Tokyo. From similar motives the Taira-chieftain had chosen Kobe instead of Kyoto as his residence after his initial victory over the Minamoto. He wanted, as Hara says, to avoid the priests and the bureaucracy.²³⁶ Later, after the Hôjo, another dynasty of Mayors of the Palace, had been deposed, the seat of the government was established first in Muromachi, a suburb of Kyoto, and finally, after a new revolution which abolished the rulership of the Ashikaga, in Yedo, the Tokyo of today.

The ruling lord is, henceforth, called Shoegûn, after Yorimoto, in 1192, had acquired the title of "Sei-i-Tai-Shogûn" which is in Chinese "Taikun," English "tycoon." The title signifies "Barbarian repressing great general." What is new is merely the addition of the word "Tai" (great): without this it is the traditional title of every general. The full new title may be translated by "regent of the empire." It means the essence

²³² Hara, *op. cit.*, pp. 158-9.

²³³ Quoted by Clement, *op. cit.*, p. 44.

²³⁴ Gowen, *op. cit.*, p. 142.

²³⁵ *Ibid.*, p. 115; Sansom, *op. cit.*, p. 183.

²³⁶ Hara, *op. cit.*, p. 136.

of the privileges and rights the patricius had in late Rome, and the Mayor of the Palace in the reign of the Merovingians. For, in sharp contrast to the Fujiwara, the new Shogûn has also the military power.

Yorimoto, who, as Sansom charmingly says, "thought in terms of fiefs and manors, not of peoples and government,"²³⁷ enjoyed the advice of the best officials of the Kyoto government who hastened to join his court.²³⁸ He would have been unable to build the government in Kamakura, if he had had at his disposal only his warlike but almost illiterate followers, and not men like Oë, the wise ancestor of the later famous princely family of Mori.²³⁹ With their help he adjusted taxes more equitably,²⁴⁰ abolishing at least partially the exemption of the privileged estates. Henceforth all of them had to pay the war-tax in rice, "a revolutionary measure, provoking the greatest consternation" among the affected.²⁴¹ He promoted arts and trade,²⁴² and "he gave Japan for the first time in many centuries a semblance of peace."²⁴³

The empire was unified, but only to break asunder once more. However huge its power, the new dynasty had to move in the magic circle described, this fatal process dispossessing the central government and raising the local magnates to overpowering might.

The giant possessions of the Taira were the prize of the victory. Yorimoto installed members of his family as governors in no less than five provinces, and appointed in all the others civil governors (Jito); to each of whom, however, he adjoined a "military protector" (Shiugu) "to advise him in all military concerns." The office of the Jito could be declared hereditary from the beginning, whereas that of the Shiugu was not, at first, heritable, but, naturally, became so very soon. The Shiugu played at first the part of the British "Residents" at Indian princely courts: eventually, having disposal over the military force of the district, they brought the Jito into dependency as their vassals. In the succeeding period of the Ashikaga there is no longer any direct connection between the Shogunate and the Jito. The Shiugu is the overlord of his district, no longer as a liege but by his own right.²⁴⁴ Many of them knew how to aggrandize their domination far beyond the original bounds.²⁴⁵

²³⁷ Sansom, *op. cit.*, p. 266.

²³⁸ *Ibid.*, p. 267.

²³⁹ *Ibid.*, p. 396.

²⁴⁰ Honjo, *op. cit.*, p. 101.

²⁴¹ Sansom, *op. cit.*, p. 274.

²⁴² Longford, *op. cit.*, p. 123.

²⁴³ Murray, *op. cit.*, p. 148.

²⁴⁴ Hara, *op. cit.*, p. 176.

²⁴⁵ *Ibid.*, p. 186.

After the death of Yorimoto the Hôjō, the family of his wife, after having, as usually, murdered the sons of Yorimoto, took over the government, but not the Shogûnate. They placed the Shogûnate in the hands of "Shadow Shôguns," mostly children of the imperial family or of the Fujiwara. They reserved for themselves, however, the factual rulership under the name of "Shikken," meaning "regent." It happened even that a "tutor" had to be appointed for a Shikken, whose predecessor had retired or had been compelled to retire into a monastery. This tutor "now controlled the Shikken, who was supposed to control the Shôgun, who was supposed to be the vassal of the emperor, who was generally a child under the control of a corrupt and venal court."²⁴⁶ This raising of the mayordomate in the second and even the third power was only possible in Japan, where conquest from abroad never led to a change of dynasty. However, just this atypical occurrence is striking proof for the sociological law which takes its effect wherever it is unhampered by the prevalence of the law of absolutism.

The Hôjō, who, during the whole Kamakura period, functioned as regents and tutors, proved to be capable managers who especially tried to secure honest jurisdiction.²⁴⁷ They succeeded more or less in holding the empire together, until they were overthrown by a revolution which, as usual, broke out at the occasion of a succession feud between pretenders for the imperial throne. The participants were not only the great temporal feudal lords, but also a seditious general and several of the great ecclesiastical lords whose strongholds had to be stormed. After civil war had raged for years the Hôjō were vanquished, and Kamakura was destroyed (1333). A period, Namboko-cho, followed when two emperors fought for the throne, lasting until 1392, when one of the lines resigned. The real victor was, however, General Ashikaga, scion of a family which Hara²⁴⁸ calls a branch, but Sansom²⁴⁹ vassals of the Minamoto. Thereafter the Shogûns were of this family with the seat in Muromachi. Their rulership lasted until 1603, when they were replaced by the Tokugawa who, in their turn, ruled until the Meiji restoration.

VI

THE THREE CENTURIES of the Ashikaga regime are filled with the ever-growing disintegration of the empire, culminating in the formation of almost independent territorial principalities, governed by the "Daimyo,"

²⁴⁶ Murray, *op. cit.*, p. 148.

²⁴⁷ Sansom, *op. cit.*, pp. 295-6.

²⁴⁸ Hara, *op. cit.*, p. 319.

²⁴⁹ Sansom, *op. cit.*, p. 178.

the new nobility whose origin we described. This came about, as in Europe, through unending feuds and civil wars in which the greater seigneurs dispossessed the smaller ones. It is reported that about three thousand manors subsisted in the Hôjô period.²⁵⁰ They melted away like snow in the sun during the war between the rival emperors, after which the Shogûns no longer had the power of commanding the high lords but were compelled to win them over by concessions.²⁵¹ Before the murderous Onin War there still existed 260 "Big Houses" (Daimyo) who, however, with the exception of only one dozen, had disappeared or had lost all influence by 1600, while some others, rather less than more, had risen from low positions as vassals and undervassals or even from complete obscurity.²⁵² The Onin War had about the same result as the contemporaneous War of the Roses in England: the old aristocracy vanished, and the power came into the hands of a quite new class.

The Shoguns eventually were as powerless as the emperors, "the real power being held by the local princes. In many cases they had largely increased their holding by conquest and were almost entirely independent of the central authority."²⁵³ The Shiugu, those military residents installed by Yorimoto beside the civil governors, had the right to impose taxes to sustain their troops and "gradually absorbed the entire authority and probably in most cases removed the Kukushu who only represented the powerless government at Kyoto." After having attained the heredity of their fiefs they became the real rulers of the provinces, the civil and military administration of which they retained even after the centralized absolutism of the Tokugawa had brought the country under strict government."²⁵⁴

The causes of this renewed feudal disintegration were the same we found efficacious in the Heian period. It is a perfectly typical manifestation following with iron consistency from the laws of social psychology: the central power cannot avoid fostering the identical powers which will devour it, because, with their emancipation, the central authority loses its financial and military basis. "The financial difficulty of the Muro-machi period was the natural outcome of the decentralized feudalism."²⁵⁵

The peasant population, after an all-too-short respite, fell back into poverty and misery. They suffered terribly through the eternal civil

²⁵⁰ Sansom, *op. cit.*, p. 293.

²⁵¹ *Ibid.*, p. 394.

²⁵² *Ibid.*, p. 395.

²⁵³ Murray, *op. cit.*, p. 181.

²⁵⁴ *Ibid.*, pp. 277-8.

²⁵⁵ Honjo, *op. cit.*, p. 101.

wars which devastated the country, and through the crushing burden of the taxes.²⁵⁶ The country was contaminated with vagabonds, "Ronin," whom poverty made into robbers; the sea was infested by pirates. The whole period teems with rebellions of the peasants²⁵⁷ and the Gokenin, the lowest stratum of the Samurai,²⁵⁸ who demanded nullification of their debts with the natural result that they lost all possibility of obtaining credit any more, as was proved by an attempt made in 1297 to enforce the nonsensical measure. The movement was at first directed against the pawnbrokers, under the leadership of heavily debt-burdened court aristocrats and Samurai, whose promissory notes were burned together with the others on occasion of these pogroms.²⁵⁹ Exactly at the same time pogroms against the Jews occurred in western Europe with just the same motives, participants and methods.²⁶⁰ Genuine peasant wars exploded a little later, aimed mainly against the aristocracy of the Samurai, as for example 1429 and, on a grand scale, 1485-6, when "articles" were formulated and submitted to the government.²⁶¹

It is again remarkable that the great peasant wars of western Europe occurred at the same time: Belgium in 1324; France (Jacquerie) in 1352; England (Wat Tyler) in 1381; Spain in 1455; Germany (Bundschuh and Armer Conrad), 1513-4; and the big peasants' war in 1524-5.

VII

THE ASHIKAGA PERIOD is usually characterized as "anarchy" in opposition to the "tyranny" of the Hôjo. The term is well deserved. Indeed: the war of all against all was raging, conducted with every means of violence and treason, even against the nearest relatives.²⁶² The fighting parties changed sides so often, that these feuds are called the "war of the turn-coats." The ecclesiastical grandees, *i.e.*, the conflicting sects, did not fail to take part in these conflicts.²⁶³ The orders intermingled:²⁶⁴ all officials of the court, not only physicians and painters, but also dancers, actors, and the like were ennobled by raising them to Samurai. Plebeian upstarts procured the rank through purchase or adoption by an indigent nobleman.²⁶⁵ Persons of efficiency had the chance to rise: "Every warrior,

²⁵⁶ Murray, *op. cit.*, p. 166.

²⁵⁷ Honjo, *op. cit.*, p. 117.

²⁵⁸ *Ibid.*, p. 37.

²⁵⁹ *Ibid.*, pp. 45-6.

²⁶⁰ System der Soziologie, IV, pp. 845 ff.

²⁶¹ Honjo, *op. cit.*, p. 48.

²⁶² Hara, *op. cit.*, p. 208.

²⁶³ *Ibid.*, p. 109.

²⁶⁴ Sansom, *op. cit.*, p. 359.

²⁶⁵ Hara, *op. cit.*, p. 256.

head of a family became a Daimyo."²⁶⁶ A blue-blooded abbot complained: "Even an outcast can aspire to the rule of a province."²⁶⁷ More and more frequently rose condottieri of low origin to the position of Daimyo and large landholders. The leaders of the expedition which Hideyoshi sent to Korea (1592) were two generals, one of whom was the son of a pharmacist, the other of a blacksmith. The all-powerful Hideyoshi himself was the son of a poor peasant: he had to be adopted by the entirely impoverished Fujiwara to provide an adequate rank.²⁶⁸

The Ashikaga period is "Junkers' time," dominated by Junkers' psychology in all its characteristics.²⁶⁹ Its first trait is to despise work and working people and especially trade, "the most degrading of all occupations";²⁷⁰ the second trait is the tendency to squander, including its finer form as open-handedness; the third and most laudable is the loyalty towards the liegeland and the death-spurning *bravoure*, which, again, has its contrast and caricature in the tendency to brawling and the exaggerated point of honor which sometimes attained insanity. The civilian is less than nothing: The testament of the first Tokugawa, Jeyasu, ordains in Paragraph 45 that the Samurai has the privilege of killing without further ado the civilian who "does not behave as was expected." In practice, however, it was not quite so bad. Hara reports that attack or serious provocation had to be proved, in default of which the killer had to expect heavy punishment.²⁷¹

There were fourteen Shogûns in the Ashikaga period: two were murdered by their own vassals, one was forced to commit suicide, and five died in exile.²⁷² The terrible disorder and the awful brutalization of this time show in these facts.

There were, however, some laudable traits as well. Art was flourishing at the many princes' courts, just as at those of the "principini" of Italy, the Este, Medici, Gonzaga, Sforza, etc., who, being usurpers, had to provide a nimbus for their dynasty.²⁷³ The national drama, "No," arose in this time or at least attained its definitive form; the monk Mincho, called the "Fra Angelico of Japan" (he died in 1431) painted;²⁷⁴ religious painting emancipated itself from the art of portraiture,²⁷⁵ and it was no longer

²⁶⁶ Gowen, *op. cit.*, p. 196.

²⁶⁷ Sansom, *op. cit.*, p. 354.

²⁶⁸ Longford, *op. cit.*, p. 91.

²⁶⁹ System der Soziologie, II, p. 341.

²⁷⁰ Longford, *op. cit.*, p. 325.

²⁷¹ Hara, *op. cit.*, p. 230.

²⁷² Gowen, *op. cit.*, p. 178.

²⁷³ Hara, *op. cit.*, p. 193.

²⁷⁴ Gowen, *op. cit.*, pp. 192-3.

²⁷⁵ Hara, *op. cit.*, p. 201.

the formal draftmanship of the past, but a new individualistic art, representing the personality which here, just as in Italy's *rinascimento*, was awakening. It is again remarkable that the renaissances of both the extreme East and West took place in the same fifteenth century, and here as well the Cinquecento is considered "the purest, the most classical, period of Japanese art."²⁷⁶ Nor is the succeeding baroque of the Secento missing here: the great sculptor who built Jeyasu's mausoleum in Nikko is called the Michelangelo of Japan."

And it sounds like a quotation from Burckhardt's "History of the Renaissance" when we read: "*Il arrivait fréquemment que les personnages les plus dépravés, tels que destraitres et des meurtriers, étaient très cultivés.*"²⁷⁷ The men who committed treason against the Ashikaga were mostly well educated, many of them even high-spirited poets and great Maecenases.

Towards the end of the period the old magnates, the nobles of the court and the ecclesiastical grandees, were dispossessed. Their own managers and military adventurers had seized their landed property, and there was nowhere a power strong enough to eject them. The smaller junkers had been subjugated or even radically swallowed up by the big ones, and thus originated "*véritables principautés, formées le plus souvent de plusieurs domaines, ayant chacune à sa tête un chef militaire dont les droits étaient sans limites.*"²⁷⁸ In exactly the same manner the great territorial principalities of western Europe were shaped. Pirenne splendidly described the process in his "History of Belgium."²⁷⁹

VIII

IT IS PERMISSIBLE, therefore, to consider as the equivalent of the European State of Estates the second half of the Ashikaga period, in which "*la formation des petits états compacts et virtuellement indépendants*"²⁸⁰ had widely progressed. "The State of Estates in its extremest development, when princes and Estates have their particular courts, officials, treasuries, even armies and embassies."²⁸¹ By the term "prince" must be understood not the powerless emperor, but the Shogûn or Shikken. The Daimyo are the Estates.

²⁷⁶ Gowen, *op. cit.*, p. 194.

²⁷⁷ Hara, *op. cit.*, p. 211.

²⁷⁸ *Ibid.*, p. 205.

²⁷⁹ System der Soziologie, IV, pp. 100 ff.

²⁸⁰ *Ibid.*, p. 210; Cf. Sansom, *op. cit.*, p. 374: Here also people turned backward in romantic yearning, towards the splendor and glamour of the Nara time. The Genji-Monogatari of the Fujiwara period became as favored as the Vergilius in Italy.

²⁸¹ Jellinek, *Allgemeine Staatslehre*, p. 320.

This comparison must be adopted with a very sizable "grain of salt," because momentous factors of European evolution are missing in Japan. There was absent, first of all, the towns, whose interests are opposed to those of the Estates: in this period there is, barring the capitals Kyoto and Yedo, only one city in Japan, Habato on the island of Kiusiu, the ascent of Sakai occurring later. Missing also were the influences from abroad, by the Pope and foreign States, and chiefly the foreign wars, the mighty builders of States' constitutions.

The Daimyo held court and had their particular organization of government and administration; most of them had fortified castles of European style, stronger and more sumptuous than those of the Shiugu of old.²⁸² They minted their own coins, which had currency in their particular States only.²⁸³ They closed their boundaries against import and export in the eternal desire of absolutism to dominate and regulate everything, and, especially, to pocket the return of monopolies.²⁸⁴ Frequent famines resulted, because the commerce in grain was eliminated which levels supply and prices. They kept their own standing army, the Hatamoto, with the Gokenin as reserve,²⁸⁵ and made their own politics, and not only in the interior (when they, accompanied by their soldiers, marched blusteringly through the cities, to fight their private feuds in the streets, as happened frequently on occasion of succession disorders²⁸⁶) but also towards foreign powers. The prince of Kiusiu, for example, exchanged ambassadors and gifts with Kublai Khan.²⁸⁷ In regard to the inhabitants of their States, they wielded unrestricted authority, especially in matters of taxation.²⁸⁸

The European State of Estates was supplanted by complete absolutism at the end of the fifteenth and the beginning of the sixteenth century. The "three magicians," Louis Onze in France, Fernando the Catholic in Spain, and Henry the Seventh in England, imposed it upon their subjects just as Charles the Bold did in Belgium. In Japan this revolution took place a century later at the time when German territorial princes, after having elevated themselves from lords of Estates to absolute independence, succeeded in subjecting their Estates.²⁸⁹

A great warlord, Nobunaga, scion of a family of *Ministeriales* which had just risen to independence, made an end to this state of things which

²⁸² Hara, *op. cit.*, p. 235.

²⁸³ *Ibid.*, p. 245.

²⁸⁴ *Ibid.*, p. 232; Saito, *op. cit.*, p. 105.

²⁸⁵ Saito, *op. cit.*, p. 234; Sansom, *op. cit.*, p. 347.

²⁸⁶ Hara, *op. cit.*, p. 179.

²⁸⁷ *Ibid.*, p. 188.

²⁸⁸ *Ibid.*, p. 245.

²⁸⁹ System der Soziologie, II, p. 583.

had become entirely impossible. He secured "the ultimate unification of the empire now split up into numerous petty kingdoms" which, all of them, recognized the sovereignty of the Mikado in theory, only to deny it in practice.²⁹⁰ He defeated the ruling Shôgun in a civil war in which the ecclesiastical powers again took part. The huge fortified monastery of Hieizan was destroyed by the most agnostic condottiere who was not in the least awed by the sanctity of the location. The same fate hit the still more imposing cloister-fortress of the Shin-rect in Osaka. Nobunaga and his two generals, Toyotomi Hideyoshi and Jeyasu Tokugawa, are genuine figures of the renaissance, quite like the great contemporaneous condottieri of western Europe, the Pescara, Colleoni, Frundsberg, Wallenstein, Rohan, etc. They are distinguished like them through military genius, diplomatic astuteness, inflexible will—and a conscience that was not to be quieted.

Nobunaga perished by the treason of one of his generals, whom he had rendered, so we are informed, his mortal enemy by a "practical joke." The question is permissible whether it was not an ecclesiastical intrigue which brought about the end of this enemy of the clergy. Hideyoshi defeated and killed the traitor and took over, first as regent, later as "Taiko" (great prince), the government of the State which he quickly united through decisive victories over the great territorial princes. He ruled with wisdom and moderation, the first soldier in Japan's history who was at the same time a statesman. He knew how to spare the vanquished adversaries instead of slaughtering them. After his death in 1598, Jeyasu took over the government, defeated a coalition and had himself nominated Shogûn (1603). He was the founder of the Tokugawa dynasty.

It is nearly superfluous to mention that Hideyoshi had the children "eliminated,"²⁹¹ and that Jeyasu did the same in regard to the progeny of Hideyoshi.²⁹²

²⁹⁰ Longford, *op. cit.*, p. 171.

²⁹¹ Gowen, *op. cit.*, pp. 209 ff.

²⁹² *Ibid.*, p. 242.

(Continued)

· C O M M E N T ·

On Radical Liberalism

REGARDING "The Decay of Liberalism" by Francis Neilson,¹ if my article on British Liberalism² did nothing more than stimulate Neilson, I can regard it as worth while. Neilson's article is extremely interesting, and the last part is not only a comment on, but a contribution to the history of Liberalism in its last phase.

I do not share his disappointment in the Liberal leaders who paid less attention to the old radicalism than to the later policy of social legislation, and I am not convinced that land legislation was the panacea that the radicals thought it was. In fact the group of radicals to which Neilson belonged was almost as much a special reform interest within the party as the temperance men.

What sets the radicals apart from all the other English reformers, either in Cobden's day or Neilson's, is their clear, direct thinking. One cannot misunderstand them, though one may disagree with them. When radicalism was merged, or possibly submerged in Gladstonian liberalism, some of the clarity was lost. Nevertheless some individuals—such as John Morley—maintained these great qualities. What Neilson writes stems from a great tradition.

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¹ AMER. JOUR. ECON. SOCIO., Vol. 4, No. 3 (April, 1945), pp. 281-310.

² *Ibid.*, Vol. 4, No. 1 (October, 1944), pp. 67-79.

· R E V I E W S ·

Bolivia and Chile in the Concert of the La Plata Nations

By RAYMOND E. CRIST

THE VAST RESOURCES of grassland and forest, of level plain and rugged mountain in South America will remain only a potential source of wealth until the transportation problem common to most of the continent is solved. Bolivia, the Tibet of the New World, is a textbook example of how an economy can be effectively strait-jacketed for centuries by an ossified social system and an almost nonexistent transportation net. The various natural regions of the country are almost hermetically sealed against each other, in marked contrast to another landlocked country, Switzerland, where every advantage is taken of position and natural resources, and where exchange of products is cheap, easy, and rapid. Bolivia cannot take advantage of its position astride the Andes to become a cross-roads of the continent: roads are almost nonexistent, and only extractive industries have been emphasized in Bolivian production. Rates on railroads may be higher than those of llama trains, oxcarts and human porters. The cargo plane will probably be in future an important factor in tapping the riches of the country; the foreign currency received in exchange should be largely invested in Bolivia, for the collective good of all Bolivians.

The railroad now under construction, which will connect Cochabamba with Corumbá—the last link in the transcontinental railroad between Santos, Brazil, and Arica, Chile—undoubtedly will play a larger rôle in bringing agricultural products from eastern Bolivia to the mountain population than in fostering international trade. It may also diminish the sphere of influence of the projected extension of the Argentine-North Central railroad, surveys for which were undertaken in 1937 as a result of the accord signed between Argentina and Bolivia, and which when completed will reach Santa Cruz via Yacuiba and Camiri, this route having been chosen in consideration of the agreement regarding trade in petroleum which was signed in the same year, taking account of the importance—to both countries—of the oil field at Camiri. The Arica-Santos railroad will affect the position of Buenos Aires very little, for much trade from the upper Paraguay will continue to find its outlet down the river. Rail rates

cannot yet compete with boat rates: manganese ore from the vicinity of Corumbá can be shipped to smelters in the United States by boat via the Paraguay River, with transshipment to ocean vessels at Buenos Aires, for less than the rail rate from Corumbá to Sao Paulo.

Given adequate transportation facilities and rationalized practice in irrigation, drainage, and the use of soil resources and native vegetation (F. C. Hoehne, *Phytophysionomia do Estado de Matto-Grosso*, Companhia Melhoramentos de Sao Paulo, 1923), eastern Bolivia, Matto Grosso, and Paraguay could support millions of people at a high standard of living. But until recently no steps have been taken to modernize agricultural techniques in Bolivia. Even some of the methods so successfully practiced under the Incas have been forgotten. (Martin Cardenas, *Contribuciones a la Flora Económica de Bolivia*, Cochabamba, 1941; Jesus Lara, *Surumi (Novela Quechua)*, Cochabamba, 1943.)

Since April, 1944, however, under the auspices of the Corporación Boliviana de Fomento, Departamento Agrícola, many technical men, both Bolivian and foreign, have been called in to develop a large area in the vicinity of Montero, in the Provincia Santa Cruz. It is hoped that this undertaking will act as a kind of agricultural leaven for the entire country. The leaders of Bolivia in particular and of Latin American countries in general are becoming more keenly aware of the fact that no civilization or culture has ever flourished upon a basis of widely disseminated, self-sufficient patch-agriculturalists. Such farmers, destroying as they do, by the very nature of their activities, the native vegetation and resources of the soil, are national liabilities rather than assets.

Some similarity exists between the Bolivia of today and the Mexico of Porfirio Diaz. Federico Avila, in his most recent book (*El Drama de la Sangre (Biografía del Pueblo Boliviano)*, La Paz, 1944), eloquently points out that the cultural foundation of the country is Indian and Mestizo, and that the future belongs to the Indians and Mestizos. Only when their culture, denied for four centuries, has been reinvigorated, and when modern methods, techniques, and appliances have been introduced, will Bolivia achieve equilibrium, and only so will her people be spared many dark chapters along their way to "peace by revolution."

In a former volume (*Bolivia en el Concierto del Plata*, Mexico, D. F., 1941), Mr. Avila fails to indicate the widely known and lamentable fact that over ninety per cent of Bolivian exports are controlled by the Aramayo, Hochschild, and Patiño mining interests, and that almost none of the great wealth leaving the country is ever ploughed back into it—indeed, exploita-

tion of the resources of the country, without any return of surplus capital produced, has been the practice for over four centuries. It seems hopelessly Utopian to advocate the co-operation of Bolivia, with the other countries of the La Plata, in the face of almost total lack of domestic integration, economic or social. The very vehemence with which Mr. Avila points out the desirability of a union of the La Plata countries reveals not only how sorely such a union is needed but also how far it is from being realized.

Meantime Argentina, with her economy originally oriented toward the industrialized areas of Europe, has taken advantage of the two world wars: (1) to industrialize; (2) to diversify agriculture. Only light industries, to be sure, because of the lack of natural deposits of coal and iron ore, have been initiated, but the products which have been turned out are glutting the domestic market as well as the markets of neighboring republics. And agriculture has not been sufficiently diversified to prevent the accumulation at the present time of enormous surpluses, as a result of the closed European market and lack of adequate shipping facilities. Warehouses overflowing with wheat, and thousands of tons stored under canvas, act as a potent force in impelling both business men and politicians to secure markets in neighboring countries. Brazil is eagerly industrializing, the while pushing her frontier steadily northward and westward. Meanwhile Chile, cut off by the Andean wall, is busy developing the concert of the Pacific Littoral, which she dominates because of her more powerful merchant marine. Nevertheless the post-war period will inevitably see a more nearly self-sufficient Argentina, enjoying greatly increased commercial relations with neighboring countries, and finding her hegemony of southern South America disputed only by Brazil.

Although separated by the formidable barrier of the Andes, Chile is not wholly outside the concert of the La Plata nations, thanks to man-made communication lines facilitating exchanges with Bolivia to the north and Argentina to the east. In prewar times, copper and nitrates from northern Chile went mainly to the United States and Europe. Today the United States is the chief consumer. Upon the completion of the Antofagasta-Salta railroad, a more extensive exchange than at present between Chile and Argentina may develop. But the importation and use of Chilean nitrates in Argentina would only lead to increased yields of Argentine crops—against which Chile is already raising tariffs. For the Latin American countries have learned a lot from the United States, and their foreign policy makers' faith in high protective tariffs—both export and import—is great. However, they frequently overlook the circumstance that high tariffs in the United States were applied to a continental economy.

Adolfo Matthei (in *La Agricultura en Chile y la Política Agraria Chilena*, Santiago de Chile, 1939), stresses the fact that central and southern Chile complement each other and must therefore work together. The *hacendados* of central Chile have always controlled the government, and they have naturally legislated in a manner to favor their own interests until compelled by a national crisis in 1925, when the unpaid police force struck, leaving Santiago defenseless, and the reactionary senators at last reluctantly approved a tax upon their own land. From the rural areas of central Chile, where the *latifundio* is supreme, there has been a continuous exodus of farm workers moving not toward southern Chile where farm land is available but into the capital which is already harassed by unemployment. The result is that one-fifth of the entire population of the country inhabit Santiago—a distribution which spells national anemia, except, to be sure, for the apoplectic conditions prevailing in the capital. To check the cityward tidal wave, what remedy can be applied? Farmers cannot be improvised, neither operators of small intensively tilled plots, nor farm hands on large-scale mechanized tracts. Factory hands have never made good farmers, whether they be from Santiago de Chile, Hamburg, or Chicago, nor have unemployed city workers, even though they have come originally from the farm, ever been successfully resettled. Immigration of European peasants is not even half an answer. To keep farm workers on the farm, the returns must be increased sufficiently to make life on the farm worthwhile and rewarding. Increased returns can be achieved only by increase of marketable production, which in turn is based upon the application of up-to-date and rationalized techniques.

The model Escuela Superior de Agricultura de Osorno, founded and directed by Dr. Matthei, is a step in the right direction. Besides teaching the fundamental technical knowledge of the profession, Dr. Matthei hopes to arouse in a whole generation of students an awareness of agrarian problems. His success can be measured by the fact that the services of all his students have been sought by practical farmers. As a result the Osorno students have not been swallowed up in the anonymity of the State bureaucracy nor engulfed in *tinterillismo*, or "inkbottle-ism"—the hopeless bog of petty officialdom's red tape.

Should we regard the La Plata Basin with historical perspective, we must perforce admit that, despite the many inconsistencies and irrational practices of the Spanish colonial regime, the viceroalties were at least large geographical areas within which local commerce did function, although handicapped by poor transportation and municipal taxes. Simon Bolivar

used all his tremendous energy to hoist on the confederationist band wagon all those colonies newly freed from Spain, but interregional jealousies, kept alive and smouldering by provincial chieftains, prevented Bolivar's union from taking lasting form. National politicians ever since have clung doggedly to the belief that they and their countries had more to gain from isolation than from international customs' unions. Rosas in Argentina, about a century ago, went so far as to close the La Plata River to all foreign vessels. Bolivia's leaders have never advanced beyond bilateral treaties—which are dangerous except for the strong, as the record has proved, for all Bolivian accords have been torn up one by one at the convenience of the other signatories. Argentina and Peru, Chile and Brazil, even little Paraguay, too suspicious of each other's motives to unite in a single war of extermination, have each in turn defeated Bolivia—a kind of international whipping boy—and appropriated great slices of Bolivian territory. The pattern has been uniform: when conditions at home grew bad, the attention of the people could always be distracted from the domestic scene by the sudden discovery of a border dispute. It has not been easy for Bolivia to learn international practices in this university of hard knocks where the tuition fees have been so high. But the conquerors also have been slow to learn; they have not yet put by their mutual distrust, although it is to their own vital interests to do so.

During the war the countries of Latin America, with one notable exception, have shown solidarity in a common cause, and all have profited. There should be a hold-over of the spirit of co-operation in the post-war world, which would make possible continued friendly relations, increasing trade and consequently a higher standard of living for all.

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The Road to Confusion

The Road to Serfdom. By Friedrich A. Hayek. Chicago: University of Chicago Press, 250 pp., \$2.75.

This plea for freedom of the individual examines critically the bases of socialism and economic planning. F. A. Hayek, the Austrian economist, observed "social security," "full employment" and "planning" in Germany, in Russia, in Italy and on the Danube. In sober, logical style he undertakes to trace a connection between these shibboleths and the terror of the modern world. He sees as resulting inevitably from steps taken by England and

the United States to plan security through government intervention some of the conditions he lived through in Europe.

Professor Hayek demonstrates that National Socialism and Fascism are resulted inevitably from State planning and State control in Germany and Italy. He compares collectivism with freedom of individual choice regulated by the principle of competition and finds in this principle a more productive and just form of association. Either competition or planning must win, he believes; there is no feasible "middle way."

"Our generation," says Professor Hayek, "has forgotten that the system of private property is the most important guaranty of freedom." On the other hand, the private seekers after monopolies have sought to perfect them through government grants. In the United States a highly protectionist policy aided the growth of monopolies. In Germany the growth of cartels has been systematically fostered by deliberate policy since 1878. This movement is not inevitable, of course, and when agreements are invalidated and protection abolished, competitive conditions can be restored.

Professor Hayek suggests the rule of law as one check on the descent into serfdom. Under the rule of law the individual knows in advance what he may and may not do, and is free to seek his personal ends, certain that the government will not be used deliberately to frustrate his efforts. This is one of the valuable suggestions in the book.

The book is being touted as a frontal attack on the trend toward collectivism. Alas, how feeble is the effort! Professor Hayek's criticism of the Marxists and their ilk suffers fundamentally from his failure to understand that the trouble with our economic system is precisely what Marx said it was, the private appropriation of land and other natural resources. It is this that set us on the road to serfdom, and the collectivism he deplors is its inevitable outcome. Failing to understand this, he also cannot understand why the insecure worker rejects the system he upholds, with its private and anti-social monopoly of raw materials, sources, of sites, of patents, of products, of skilled-job situations, of markets and what-not. This is reactionary, not progressive capitalism, and the intelligent person demands the latter, not the former.

LANCASTER M. GREENE

New York.

Economic Demobilization

The Economics of Demobilization. By E. Jay Howenstine, Jr. Washington, D. C.: Public Affairs Press, 1944, 336 pp., \$3.25.

Economic demobilization is, without doubt, one of the most serious peacetime problems to confront the United States since 1776. Further, the

solution has ramifications transcending the national scene. As Professor Alvin H. Hansen states in the introduction to this timely work, "... The whole world is anxiously looking forward to the degree to which America solves her internal problem. This is true because the stability and prosperity of all countries in the world is in no small measure dependent upon the United States." In essence, the problem of demobilization requires a meaningful and purposive transition from a government-controlled war economy to a peacetime economy assured of free competition regulated in the national interest.

Dr. Howenstine's volume "was undertaken with the hope that it might prove of some help to public understanding of the tremendous problems of economic readjustment which will inevitably arise after the present conflict." To accomplish this purpose the author has employed the historical method, with a full grasp of its limitations. He has carefully analyzed the types of problems that arose after World War I, and noted the points of variance between the two wars. "In order to plan adequately for demobilization after this war," writes the author, "it is essential that our experience following World War I be thoroughly understood."

With few exceptions, the economic and social philosophy which emerged after the first World War, both in private and government circles, opposed planning or regulation in the economic sphere on the theory that "natural forces" would re-establish the pre-war stability. The demobilization process after World War I was characterized most significantly by an absence of planning, either by capital or the government, with respect to practically all of the important economic problems then present. The reaction to government regulation after World War I leaned more strongly toward a theoretical *laissez faire* policy, while in fact, there was an actual increase in corporate and monopolistic control. In contrast with that period, it is commonly agreed at this time, by capital, labor, and the government, that rational planning alone will avert postwar economic catastrophe.

The question is thus raised: For what goals are the plans to be made? Dr. Howenstine states the three basic objectives to be sought: (a) full employment, (b) a favorable environment for the expansion of free enterprise, and (c) social security. The objectives are of course interrelated, and the basic factor is the maintenance of free enterprise. While the author gives considerable discussion to the problem of taxation and free enterprise, advocating, *e.g.*, a reduction in taxation as an incentive to risk-taking enterprises, he has skimmed over, what to this reader is the central problem, namely the relationship between monopolistic practices

and the expansion of free enterprise. Since the war contracts were given, in the main, to the huge corporations, the problem of monopoly was already greatly intensified when demobilization began. The war has definitely accentuated what the late Justice Brandeis called the "curse of bigness in business."

In fairness to the author, however, it must be said that his treatment of a great number of thorny economic problems has been admirably handled. This study is unusually valuable, both for its historical analysis and the elucidation of the problems, present and future. Failure to achieve a rational solution cannot be assigned to those economists who present, as Dr. Howenstine has, not only a realistic account of the problems but also a blueprint of the economic future.

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Government Guaranteed Production and Termination Loans. By Roy A. Foulke. New York: Dun & Bradstreet, Inc., 1945, 36 pp.

As an aid to business men in the transition period, Roy A. Foulke, Vice President of Dun & Bradstreet, Inc., has prepared a study of Government Guaranteed Production and Termination Loans. The various chapters discuss progress payments, advance payments, V, VT, T and 1944-V loans in detail. Part I of the study is devoted to the function of government loans and the policies of respective government divisions in making progress payments and advance payments. This discussion covers procedure in the War Department, Navy, U. S. Maritime Commission and Treasury Department. Part II covers the V and VT commitments and loans, and reflects the value of the experience gained during the early years of war production financing, and the streamlining of loan applications through borrowing channels. Part III deals with T and 1944-V commitments and loans.

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CORRECTION: By an inadvertence, a statement in the article, "Mediation in Cultural Perspective" by Horace S. Fries, in *AM. JOUR. ECON. SOCIO.*, Vol. 4, No. 4 (July, 1945), p. 450, read "It is only a step, when the tool is being used, to concentrate on the aim alone as the carrier of the meaning. When this occurs the miracle of communication has been enacted." It should have read: "It is only a step to concentrate on the absent aim and to use the tool merely as the carrier of the meaning or of what *was* the intended aim. Thus the old tool takes on a new function and becomes thereby a new tool. The miracle of communication is enacted."

CORRECTION: The quotation, "change and decay in all around I see," in the article, "The Decline of Civilizations" by Francis Neilson, *AM. JOUR. ECON. SOCIO.*, Vol. 4, No. 4 (July, 1945), p. 479, was incorrectly attributed to John Keble. As Mr. Harold Sudell of Philadelphia points out, it is from the hymn "Abide With Me," written by Henry Francis Lyte.

